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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2195

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CONTENTS

INTERNATIONAL AFFAIRS

CEMA Debts To West Seen Increasing Over Next 5 Years
(NEUE ZUERCHER ZEITUNG, 30 Sep 81)............................... 1

ALBANIA

Successes, Shortcomings in Fier Petroleum Sector
(Rrapi Memisha; BASHKIMI, 10 Oct 81)............................. 3

CZECHOSLOVAKIA

Foreign Trade Situation Summarized
(Josef Major; HOSPODARSKE NOVINY, 4 Sep 81)...................... 4

Disposable Income Formation Indicator Evaluated
(Jaromir Sorf; HOSPODARSKE NOVINY, 28 Sep 81).................... 7

Growing Application of Electronics in Industry Discussed
(Milan Kubat; HOSPODARSKE NOVINY, 28 Sep 81)..................... 13

Lack of Software, Other Problems Hinder Automation
(Miroslav Karnik, Ladislav Zvolanek; HOSPODARSKE NOVINY,
11 Sep 81)... 20

Natural Gas Plan Fulfillment, Perspectives
(Pavel Kanta; SVET HOSPODARSTVI, 13 Aug 81)...................... 26

West Slovakia's Shortfall in Cereal Production Reported
(Milan Maloch; ROLNICKE NOVINY, 8 Sep 81)........................ 28

CSSR's Grain Shortfall Causes Concern About Livestock Production
(Zdenek Hoffmann; HOSPODARSKE NOVINY, 18 Sep 81)................. 32

HUNGARY

Characteristics, Shortcomings of Hungary's Basic Industries Analyzed
(Imre Kristof; STATISZTIKAI SZEMLE, Aug-Sep 81)................. 35

High Efficiency of Labor and Full Employment Should Co-Exist
(Laszlo Pongracz; MUNKAUGYI SZEMLE, 46

Machine Tool Exports, Domestic Problems Viewed
(Gyorgy Heimer; HETI VILAGGAZDASAG, 26 Sep 81).................. 55

Position of Adversely Endowed TSZ's Clarified
(SZABAD FOLD, 13 Sep 81).. 59

Briefs
Purchase of Soviet Computers 61

POLAND

Minister Interviewed on Socio-Economic Matters
(Antoni Rajkiewicz Interview; ZYCIE GOSPODARCZE, 27 Sep 81)..... 62

YUGOSLAVIA

Pristina Communal Committee Views Economic Situation
(Milisav Milic; Belgrade Domestic Service, 15 Oct 81)........... 69

Survey of Export-Import Structure, 1980, 1981
(Dusan Dinkic; PRIVREDNI PREGLED, 19-21 Sep 81)................. 71

Data Given on Unused Agricultural Land
(Ratomir Petkovic; VJESNIK, 22 Sep 81).......................... 80

Briefs
Current Economic Situation 81

CEMA DEBTS TO WEST SEEN INCREASING OVER NEXT 5 YEARS

Zurich NEUE ZUERCHER ZEITUNG in German 30 Sep 81 p 12

[Unattributed article: "CEMA's Poor Debt Prospects--Moscow's Favorable Position"]

[Text] CEMA debts to the West will continue to increase over the next five years: they are expected to rise from $70.4 billion at the end of 1980 to between $100 and 130 billion at the end of 1985, as was stated by Dr Gerhard Fink, assistant director of the Vienna Institute for International Economic Comparisons during the "International Conference on Country Risk Assessments" which is sponsored in New York by Euromoney/Advance Management Research.

Fink believes that only the USSR and to a lesser degree the CSSR will have no problems with their debts in hard currency. Moscow should succeed in lowering its debts of approximately $7.5 billion at the end of 1980 to between $4.6 and 6.6 billion in 1985. Hard currency earnings from arms and gold exports will not be required for the support of the balance of payment and can therefore be used for other purposes, e.g. for an increase in grain imports or for aid to Poland.

In the CSSR there will likewise be no major problems. The planned reduction in economic growth sohould, according to Fink, be sufficient to keep imports from the West under control without imposing specific import restrictions. If Prague succeeds in increasing foreign currency earnings from arms exports to between $500 and 700 million annually, the CSSR might be able to lower its debts to below $6 billion by the end of 1985. In the projection presented by Fink, however, a realistic national debt [for the CSSR] of between $8.9 and 10.7 billion is assumed, as compared with $3.8 billion in the previous year.

In Hungary too, where a moderate economic growth is planned, the situation should not deteriorate drastically because the domestic market should remain relatively balanced. However, the liquidation situation should be observed carefully. Gold reserves of approximately $2 billion could help bridge certain gaps. The national debt is expected to rise from $8.4 billion at the end of 1980 to between $17.3 and 21.2 billion in 1985.

In Bulgaria relatively small foreign trade ties with the West make possible an increase in exports without creating serious domestic supply problems. Even though Bulgaria could relax to a certain degree its debt situation through the sale of 51 tons of gold in the first half of 1981, economic growth was reduced to less than 4 percent in order to keep debts under control. The debts of Bulgaria, estimated to be $4 billion at the end of 1980, will increase to between $5.9 and 7.5 billion at the end of 1985.

Romania has relatively small debts compared to other CEMA countries, but a serious lack in liquidation has led to payment problems. Romania's position should deteriorate seriously over the next years, especially because of unresolved oil supply problems. The alarming imbalance of the domestic economy could result in a catastrophic situation if Romania should be forced by Western creditors to stop abruptly its imports and thereby drastically slow down its economic growth. Fink believes that a careful slowdown in economic growth would make sense. Debts are expected to increase from $7.9 billion in the previous year to between $14 to 17.3 billion in 1985.

The debts of the GDR should deteriorate even more clearly than those of Romania if East Berlin does not modify the extremely ambitious plan for 1981 to 1985, and does not choke economic growth. It seems advisable to watch carefully the liquidation position and debt development of the GDR over the coming years. Debts in 1985 should be between $18.4 and 23 billion compared to $10.3 billion in the previous year.

The unresolved political and economic questions make it virtually impossible to evaluate the development of Poland's debts at the present time. The complex debt conversion negotiations do not make it possible to assume that Poland's problems will be resolved before the end of this decade. Many signs point to the fact that during this year's debt conversion negotiations payment deferment is being granted which is too short. Additional problems might therefore arise already by the middle of the eighties. Poland's debts could increase from $23 million at the end of 1980 to between #33.2 and 43.2 billion in 1985.

Fink also gave interesting figures on the pro capita net indebtedness of CEMA countries to the West. At the head of the list is Hungary with $784; then comes Poland with $644; the GDR with $615, Bulgaria with $451, Romania with $358, the CSSR with $249 and the USSR with $29. In regard to net indebtedness in relation to the percentage of the national product, however, the list is different: at the head is once more Hungary with 20.2 percent, then Romania with 18.4 percent, Poland with 17.7 percent, Bulgaria with 11.6 percent, the GDR with 9.2 percent, the CSSR with 4.6 percent, and the USSR with 0.7 percent. In regard to net indebtedness in percentage of exports to the West, Poland is at the head of the list with 388 percent, then Bulgaria with 300 percent, Hungary with 290 percent, the GDR with 261 percent, Romania with 217 percent, the CSSR with 117 percent, and the USSR with 31 percent. The average for CEMA countries is somewhere near 155 percent.

Fink also explained in his analysis that previous projections on indebtedness have predicted subsequent developments very well. Bankers were thus in a position to know what to expect. In spite of this, however, Poland's debts conversion was unavoidable and Romania experienced payment problems. Evidently, CEMA countries were given too much credit. Their ability to solve internal economic problems through central planning was overestimated. In the past, too much emphasis during country risk assessments was placed on simple debt indicators such as the debt payment rate or the relation of debts to exports. Too little attention was paid to other important information which is used to evaluate credit rating in the Western market economy, such as indicators on short-term liquidation or on domestic economic balance.

8889
CSO: 2300/18

SUCCESSES, SHORTCOMINGS IN FIER PETROLEUM SECTOR

Tirana BASHKIMI in Albanian 10 Oct 81 p 2

[Article by Rrapi Memisha, chairman of the trade unions in Fier District]

[Excerpts] The workers, cadres and specialists in the petroleum sector of Fier District are working to implement the tasks set by the 9th plenum of the Central Committee of the Albanian Workers Party for the further expansion of the technical-scientific revolution. During the competition organized by the Central Council of Trade Unions and the Ministry of Energy more than 500 cadres, specialists and workers prepared, tested and implemented 150 studies, scientific themes, etc dealing with the discovery of new sources of oil and gas, the acceleration of drilling in deep wells, the best possible use of existing resources. As a result, so far this year, more than 4,000 tons of petroleum in excess of the plan have been extracted from the existing sources, one new source has been discovered and several existing sources have been expanded. Good results have been achieved by the enterprises for the transportation of petroleum, the pipe bases and the construction and installation units.

Workers in the Petroleum Institute have raised the level of their scientific research work. With the direct participation of specialists in the field of geology and of the extraction and drilling enterprises, 100 percent of the area earmarked for drilling and exploitation and 40 percent of the area earmarked for drilling and prospecting have been plotted.

The exploitation of inactive wells and the preservation of active wells is a very important task at the present time. Good work is being done in this area in the petroluem extraction enterprise in Marinez where a number of sectors have been working to keep wells from being inactive. They have succeeded in activating well No 772 and are working on another well.

However, it must be said that the work done so far in extracting petroleum is inadequate. In some work processes innovative thought should have found a solution for several problems such as the automation of the work processes during underground repairs, during intensification opeations, etc. It is the duty of cadres, specialists and workers and trade union organizations to engage in more studies, analyses and experiments, using physical and mathematical modelling techniques to determine the physical and chemical properties of the petroleum and gases in the strata, especially, to better anticipate the effect of the insulation of the waterways in the deep wells and the effect of the struggle against corrosion of equipment aboveground and underground.

CSO: 2100/10

CZECHOSLOVAKIA

FOREIGN TRADE SITUATION SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 4 Sep 81 p 2

[Commentary by Josef Major, executive of the CPCZ Central Committee: "Foreign Trade"]

[Text] When elaborating and specifying the decisions of the 16th CPCZ Congress concerning our economy, and especially when working out the details for the Seventh Five-Year Plan, it becomes evident how demanding are the tasks stemming from urgent needs to promptly boost the exportability of Czechoslovak economy, to reduce its requirements of imported goods, and to make foreign trade highly efficient.

The vital objectives of the state plan for national economic development in 1981 include the fulfillment of export tasks and the necessary imports of fuels, raw materials, food, and technological equipment. The planned growth rate for exports to nonsocialist countries, which stems from the need to outdistance imports, represents one of the most demanding tasks for the current year both in terms of organizations of production and foreign trade. Particular emphasis is also placed on the fulfillment of international obligations of our foreign trade with the socialist countries. The 1981 state plan envisages a 7.3 percent rise in exports to the socialist countries and an 8 percent increase in exports to the nonsocialist countries as compared with 1980.

The economic slump dating from late 1980 continues in 1981, which means that the economic development in the nonsocialist states has not been invigorated. Low investments negatively affect vital areas of production, which creates harsh market conditions, leads to enforcement of protectionist import restrains, and affects the level of prices in foreign trade. Certain approaches and measures enacted by the capitalist states in the international political area further hamper international trade.

The Report on National Economic Development of the CSSR for the First Half of 1981 indicates that in general and also in relation to the nonsocialist states our foreign trade exported more than it imported. Compared with the results for the same period of 1980, total Czechoslovak exports increased to 107.4 percent and imports to 104.3 percent. In the comparable period exports to the socialist countries were up 8.4 percent and imports up 8.6 percent. In relation to the nonsocialist states exports were up 5.6 percent and imports down 1.4 percent.

Although these results cannot be regarded as satisfactory, they required great efforts in overcoming a number of problems and difficulties in foreign and domestic economy.

In the past 6 months, the dynamism of Czechoslovak foreign trade was profoundly affected by the rise in the price of both exports and imports, with the prices of imported goods increasing at a faster rate. This development was evident in both the socialist and nonsocialist states. For example, the prices of imports from the nonsocialist states increased about 25 percent more than the prices achieved by Czechoslovak foreign trade for exports to those markets.

As in the past, the balance necessary for the fulfillment of export tasks expressed in wholesale prices, particularly in the engineering sector, could not be attained in the first half of 1981. For exports to the socialist countries, the key ministries delivered 48.3 percent of their tasks for the year (in wholesale prices); for instance, the Federal Ministry of Electrical Engineering Industry 48.3 percent, the Federal Ministry of Metallurgy 48.2 percent, and the Federal Ministry of General Engineering 47.6 percent. It should be noted here with satisfaction that the SSR and CSR ministries of industry fulfilled their export programs in deliveries to socialist countries 51.2 and 50.1 percent, respectively.

Among the key ministries only the CSR Ministry of Industry fulfilled 50 percent of the task for the year in deliveries for export to the nonsocialist countries. That share amounted to 43.5 percent in economic production units [VHJ] administered by the Federal Ministry of Metallurgy and Heavy Engineering, to 43.7 percent in the Federal Ministry of Electrical Engineering Industry, and to 44 percent of the tasks planned for 1981 in the Federal Ministry of General Engineering. Although the specific character of the production and deliveries of certain VHJ cannot be disregarded (for example, export of investment units), it should be noted that for instance, Chepos in Brno, Elitex in Liberec, Machine Technology Factories in Prague, Tesla in Prague, Tesla in Brno, and Tesla in Bratislava, failed to meet their export programs over the past 6 months.

A positive phenomenon is the relatively faster innovation and improvement of the quality of industrial products than in previous years. However, satisfaction here would not be appropriate because the needs of the Czechoslovak economy and of foreign markets demand far more dynamic advances in this direction. Substantially higher exports and more lucrative foreign trade still depend on better technological and economic parameters of exported goods and on expeditious innovations in the required structure, quality and volume. An analysis by the Federal Ministry of Foreign Trade proves that in the past the demands of foreign trade organizations have not been satisfied in terms of the technological development and innovation of both engineering and nonengineering products. On the other hand, certain positive factors should be recognized, such as the innovation of motorcycles, polygraphic equipment, linen and cotton goods, furniture, and to some extent, footwear. In conjunction with a dynamic development of Czechoslovak foreign trade, it is now an urgent task, as it will be in the future, to deal with the problems of quality, technical standard and innovation.

As for Czechoslovak imports, in the first half of the year they failed to meet the planned volume. A low rate of fulfillment is evident, particularly in imports of equipment from the socialist states (40.7 percent of the task for the year); also, imports for market funds in that area were low. Noninvestment imports from the nonsocialist states were in accordance with the plan, however, machine engineering imports from the nonsocialist countries lagged far behind. Foreign trade representatives will not find it an easy task to acquire the remaining part of imports for 1981 promptly and under advantageous conditions.

Our production and foreign trade, however, have a far more demanding task to implement the planned export programs. Success in their fulfillment depends first of all on the availability of sufficient export funds. It is no less important to be able to sell goods in foreign markets at favorable conditions, i.e., to obtain orders from our foreign partners well in advance and to resolve the problems recurring in transportation at the end of every year. Problems of adequate export funds and efficient sales are narrowly interconnected and frequently cause tensions between production and foreign trade, although it should be clear to both partners that they must resolve most such problems jointly, flexibly and in the interest of our entire national economy.

An analysis of the outcome of the negotiations on supplier-consumer relations held at the end of June 1981 suggests that deliveries for exports to the socialist and nonsocialist countries in the extent of more than 4 percent (in wholesale prices) have not been clarified. This and many other factors caused complications for the working collectives of certain Czechoslovak foreign trade organizations, such as the foreign trade organizations Investa, Kovo, Strojexport, Exico, Ferromet, Kerametal, Technoexport, Centrotex, Drevounia, and others.

Party organizations, workers' teams and economic management in production and in foreign trade are intensively preparing specifications of the decisions issued by the 16th CPCZ Congress, applying and adjusting them to their own conditions, and creating preconditions for their implementation. Here the fulfillment and overfulfillment of foreign trade plans for this year and for the future years of the Seventh Five-Year Plan should rank among the most important tasks and obligations.

9004
CSO: 2400/3

DISPOSABLE INCOME FORMATION INDICATOR EVALUATED

Prague HOSPODARSKE NOVINY in Czech 28 Sep 81 p 3

[Article by Engineer Jaromir Sorf, Czechoslovak State Bank, Prague: "Orientation Toward Efficiency"]

> [Text] Efficiency of the national economy and its measurement is one of the acute thematic problems of contemporary economic theory and practice. The Czechoslovak State Bank has been using in its credit policy for the machine building industry since 1977 indices of the formation of disposable national income which, according to the bank's experience, is a measure of the overall contribution of the working public to society. The findings arrived at with the use of this index are presented in this article.

In deliberations as to what would provide the best measure of societal efficiency we decided on the index of formation of disposable national income. It was selected because it characterizes the ultimate relation to society, namely that part of the national income provided at the disposal of the whole society by the working public.

Disposable National Income

In what manner do we construe the index of formation of disposable national income? It is based on the sum of the amounts of plant profits and the difference between procurement* and wholesale prices in exports and imports. On the other hand, this index reduces every increase in inventories and investments reduced by depreciations. Wages do not become reflected in this index as they also represent formation as well as disposal of the national income. If we recompute the attained value per worker, we obtain a characteristic of of efficiency of manpower utilization, i.e., its contribution to the national income. The predictive nature of the index can be illustrated by the results achieved by the Federal Ministry of Machine Building (see table 1).

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* Procurement price is the price arrived at through an agreement between interested organizations and is based on the actual price attained in exports or imports.

Table 1: Components of the Index of Disposable National Income
(Federal Ministry of Machine Building)

Index Component	1979 Actual	1980 Plan	1980 Actual
Plant profits (billions of Kcs)	11.2	11.3	11.7
Difference between procurement and wholesale prices in exports and imports (billions of Kcs)	5.8	7.4	7.4
Increase in inventory (billions of Kcs)	-1.8	-2.0	-3.4
Investments reduced by depreciation (billions of Kcs)	-3.3	-2.9	-3.4
Formation of disposable national income (billions Kcs) total	11.9	13.8	12.3
Formation of disposable national income per worker (in thousands of Kcs)	23.9	27.2	24.5

Recomputation of the resultant effect, i.e., net contribution to the national income per worker according to the individual VHJ [Economic Production Units] leads to interesting results. Thus, e.g., we can compare two VHJ whose plant profits computed per worker are identical (in one case Kcs 17,700 and in the other Kcs 16,100), but the difference between procurement and wholesale price in exports and imports amounts in the first case to plus Kcs 79,900 while in the other case it is minus Kcs 10,400. Consequently the resultant contribution per worker amounts in the first case to Kcs 94,800 and to minus Kcs 1,100 in the other.

Even more pronounced differences are found within VHJ among individual plants (see graph). The true extent of these differences is best evinced by the fact that the ten best plants represent six VHJ. Profit per worker ranges overall between minus Kcs 18,000 to Kcs 61,000, the difference between procurement and wholesale prices in imports or exports ranges from minus Kcs 34,000 to a high of Kcs 221,000. Further differentiation appears also within plants according to their individual products. The possibilities provided herein for increased contribution to the national income by modifications in the structure of production need not be emphasized.

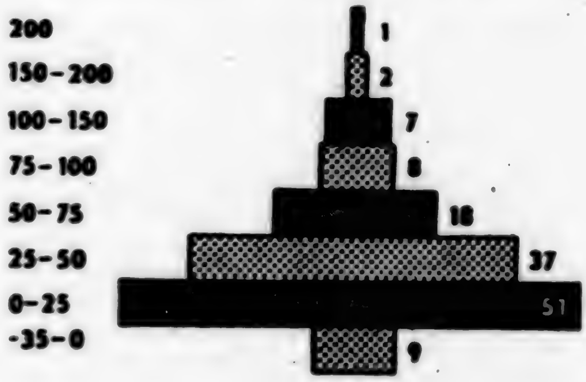
Advantages Offered by the Index

The index of contribution to disposable national income per worker facilitates comparison of the results achieved in operation of plants, VHJ and branches of the economy chronologically as well as among themselves from the viewpoint of their effects on the national economy, i.e., as a resultant relation to the national income. It measures the effectiveness of capital construction, development of production, etc., from the aspect of the national economy. In comparion with, e.g., the used index of profitability of production assets it involves the following key divergences:

Addition of the results of foreign exchange, i.e., the difference between procurement and wholesale prices in exports and imports, formation of resources is elevated from the status of plant profitability to that of the national economy. The result achieved in foreign exchange forms an important component in formation of national income; for example, in the jurisdiction of the Federal Ministry of Machine Building in 1980 it amounted to Kcs 7.4 billion, meaning it stood 63 percent above the level of plant profits (compare table). In the case of most efficient plants this component exceeds plant profits up to 10 times. The sequence of effectiveness of products computed according to profitability of the plant is often entirely different from the sequence computed according to the overall effect, i.e., including the results of foreign exchange.

NET CONTRIBUTION TO NATIONAL INCOME*

Range** per worker in Kcs 1,000	Number of Plants



* Plants under the jurisdiction of the Federal Ministry of Machine Building.

** Sum of profits plus difference between procurement and wholesale price in exports and imports.

Source: Author's own computations.

Construing of indicators of profitability of production assets is disvantageous to society because, on the average, for each koruna of profit increase a plant can increase production assets by Kcs 20 without adversely affecting the index of profitability. For example, a 10-percent index can be achieved by either

$\frac{100}{\frac{1000+1000}{2}}$ = 10 percent, or $\frac{101}{\frac{1000+1020}{2}}$ = 10 percent. Conversely, if the plant fails to meet planned profits, even this index will be adversely affected.

Contrary to measuring effectiveness of exports by a differential index, the index of contribution to national income includes in its calculation also price differences in imported raw and other materials and thus eliminates distorting effects due to varying internal profitability in export prices.

Composite Economization

Use of the index of contribution to formation of national income affords also other insights into the effectiveness of intended production development than when we base it merely on generation of profits which for the plants represent the decisive measure of return on investments and efficiency. The point can be illustrated by an example of 3 plants under the jurisdiction of the Federal Ministry of Machine Building:

Table 2.

Index Component	Plant A	 B	 C
Profit per worker, in Kcs 1,000	18	20	14
Difference between procurement and wholesale price per worker, in Kcs 1,000	221	-10	-31
Formation of resources per worker, in Kcs 1,000	239	10	-20

As the ratio between overall formation of resources and the number of workers (i.e., formation of resources per worker) shows no significant changes in time, even after implementation of investments, we can reach the following conclusions:

Each expansion of production in plant A which would facilitate replacement of marketing tasks of plant C would produce a higher effect from the production of one worker on the order of Kcs 259,000 annually.

Significant changes occur also in the index of effectiveness of investment measures. When return on investment is calculated only on the basis of profits, no sizable differences exist between plants. However, when this effectiveness is valuated also by the contribution derived from foreign exchange, the return on investment in the case of plant A is 24-times shorter than that of plant B while there is no return on investment expenditures in the case of plant C.

Systematic utilization of available potential for structural improvements promoting effectiveness of the national economy at the same time facilitates also decreases in the consumption of fuels, energy and material of all kinds. The point is to make exports effective by expending a substantially lower volume of expenditures, to include raw materials, fuels and energy, per unit of receipts from abroad. Potential contributions by such changes in the structure exceed by an order of magnitude possible savings on specific products by changes in technical or production arrangements.

The mentioned problems are a matter of common knowledge. The more insistent then becomes the requirement to implement them in the proposed manner also in practical management activities and avail ourselves of the great unused hidden potential in the structure of our production.

Hidden Resources in the Structure

Formulation of the general policy for a developed socialist society, adopted by the 16th CPCZ Congress, reads: "The prerequisites for further effective development of machine building consist primarily in a more systematic forming of its structure. We must give priority to concentrating our efforts toward developing those sectors and productions in which we have realistic prerequisites to attain the world level and which through their high efficiency provide the essential resources for both domestic needs as well as for exports."

To avail ourselves of these possibilities it is inevitable to provide for the closest possible overlap of plant efficiency with efficiency of the national economy, i.e., to provide for optimum harmony among personal, plant as well as societal interests.

I am of the opinion that selection of indices and the manner of their assessment should pave the way for implementing structural changes promoting growth of effectiveness of the national economy. This involves providing not only a measure of the effectiveness of individual products, but also the manner of meeting higher expenditures relevant to implementation of structural changes on the basis of the resultant effect arrived at through calculations based on the national economy as a whole. In measuring the results by net contribution to the national income enough leeway is provided also at plant level for meeting the specified expenditures as is evident from the differences in the results achieved by individual plants.

I have so far devoted most of the article to dealing with formation of national income, even though a component of the mentioned index of net contribution to the national income is also accumulation for inventories and investments. However, I deem this problem to be clear enough not to require dealing with it in closer detail. The same applies to the extent of the hidden potential available to us in utilization of inventories as well as capital assets. The specified index confronts each economic unit with the following task: if you want to increase your inventory or want to invest, you must provide for more intensive formation of resources minimally to that extent, so that the increased needs be not met at the expense of a lower contribution to the national income. It might be advisable to also consider the possibility for specifying a certain share of the economic sphere in generation of higher contributions to national income in a manner which would promote meeting and exceeding both the net contribution to national income and the volume of resources for meeting own needs of plants.

Needs of the National Economy

It is a matter of common knowledge that there is no sense in arguing the advantages or disadvantages of indices without giving due consideration to their relative position and their relation to other tools and general principles of economic management. This applies also to the index for measuring effectiveness by net contribution to national income. It will also be subject to some corrective aspects which under a given situation must be given priority over attainment of maximum economic results at a given level. From this viewpoint, of key importance to assessment of the results achieved in operation of plants, VHJ and branches of the economy appear to be the following:

Net contribution to national income; contribution to the balance of payments (eventually subdivided further according to territories); carrying out of supply functions, i.e.,meeting the needs of the national economy in the given sphere of production in regards to volume, assortment, technical level and quality, delivery conditions from the viewpoint of order and delivery deadlines, accuracy and reliability of deliveries, etc.

As regards contributions to the balance of payments, in my opinion, we should refrain in our current practice from stipulating tasks in wholesale prices, as it is not conductive to providing leeway for implementation of structural changes to promote growing effectiveness of exports. Of decisive importance should be a challenging stipulated task for generating receipts of foreign currency that is adequately reflected in the task for exports in freight free prices.

Similarly inadmissible is allowing the contribution to national income (as well as profits) to be formed on behalf of the given unit at the expense of meeting supplier responsibilities toward customers. In my opinion the key point is to judge production coordination and meeting the needs of the national economy not so much by how much a plant produced, but by whether the needs of the customers in the given production coordination are met at 100 percent.

Evaluation

Party organs and government agencies persistently promulgate the task of continuously comparing our results with the level attained by top producers abroad. However, this comparison is not an end in itself. Its practical results must become reflected in mutual relations of our plants, e.g., what results do they achieve in trading their products on foreign markets. For that reason I do believe that there is justification for requiring that evaluation of the results of plant operations be based not only on the extent of meeting the specified indices, but also on assessment of the tangible value of attained results. This purpose also could be served by using the net contribution to national income, to the balance of payments, computed per worker. It involves formulation of the basic goal which is continued growth of national income, improved meeting of needs and, thus, further improvements in the standard of living. All other indices and tools are merely the means for achieving that goal and they must be constantly subordinated to that ultimate goal.

Assessment of operations according to tangible results is connected with a number of problems. A particularly frequent subject of disputes is whether the attained result accrued primarily to production, foreign trade, or objective conditions, etc. Specific data regarding these areas can serve as a cause for a certain amount of appreciation or critique of the achieved results. However, actual considerations of what type of production should be developed, where resources are to be invested, what reinforcements are in order within the framework of the structure of the national economy, must be based on how our economy derives benefits from the given area.

In keeping with the credit policy, values of contribution to the national income are contained in credit protocols with all plants belonging under the jurisdiction of the machine-building branch. Thus, the data listed in this article can also be used by plants and VHJ for comparing their results with those attained in the general engineering industry.

8204
CSO: 2400/10

GROWING APPLICATION OF ELECTRONICS IN INDUSTRY DISCUSSED

Prague HOSPODARKSE NOVINY in Czech 28 Sep 81 pp 1, 6

[Article by Prof Eng Milan Kubat, ScD, Minister of Electrotechnical Industry: "Steps Toward Electronization"]

[Text] The Main Directions for the Economic and Social Development of the CSSR During the 1981-1985 Period mention in various contexts the need for a rapid development of the electrical engineering industry, especially of the production of electronics and microelectronics. These tasks were based on the demand of nearly every branch of our national economy, and also on considerations of the fact that the development of applied electronics in our country has maintained thus far a relatively slow pace in comparison with other economically advanced countries.

In order to provide basic preconditions for the application of electronics in our national economy, our ministry adopted for the Seventh Five-Year Plan the most challenging tasks of all branches. The VHJ [economic production units] and the newly organized ministry cooperated on a concept for the development of the electrical engineering industry whose draft was discussed by the Presidium of the CPCZ Central Committee and approved by the government of the CSSR. We drafted proposals for electronization programs and for innovation programs which are now being worked out in more specific and accurate details. Furthermore, work has begun on projections for the development of the branches of production and organizations of production up to the year 2000.

Preconditions for Major Increments

The state goal-oriented programs are very important for our work. The Ministry of Electrotechnical Industry has launched three programs and is participating in five additional programs. The backbone of our efforts is the development of a component base, particularly of high integration circuits, which is a target of the state goal-oriented Elektronika [Electronics] program. In accordance with the Main Directions, it is envisioned that in 1985 the production of integrated circuits will triple over that for 1980.

Material preconditions are being created along with the organizational groundwork. When evaluating investment guarantees for the development of electronics in the Seventh Five-Year Plan, we must take into consideration the prospects of the CSSR economy. The funds for investment development of the branches are growing at a faster rate than in the preceding five-year plan and than in other ministries, with the exception of the fuel and energy complex. Nevertheless, their absolute amount still fails to cover all the needs of the rapid development which we have set forth as our task. The solution of this problem will be the topic of further discussions.

Despite certain other partial problems, it may be said that most of the groundwork for the fulfillment of the tasks of the electrical engineering industry in the Seventh Five-Year Plan has been successfully accomplished.

No matter how well prepared the documentation and how favorable the material conditions may be, they cannot replace the creative approach and initiative of the people. Therefore, one of the main tasks facing every manager is to stimulate initiative and turn it into an asset.

In this five-year plan we shall implement a number of extensive structural changes and at the same time, accelerate the growth of the volume of production and substantially reduce the cycle of innovation of products. The growth of the volume of production will go hand in hand with restricted material consumption, especially of imported materials. Naturally, this in turn will make higher demands on the managing system. Although we frequently emphasize scientific technological development--and the program of electronization of our national economy is in fact predicated on the results of its implementation--we do not disregard the fact that our branch is production-oriented and thus, every principle of khozrashchet, efficiency, quality, duties of taxation and fulfillment of export tasks applies here. In terms of main indicators characterizing efficiency, the following targets are stipulated for the ministry in the Seventh Five-Year Plan: to achieve a rate of 205 percent in profits; to reduce material and other costs almost 6 percent before 1985; to reduce overall costs by 10.5 percent, and to increase the return on production assets from 11.41 in 1980 to 21.13 in 1985, i.e., to achieve a rate of 185.2 percent.

Limited and Restricted Material Consumption

At the same time we must cope with a situation where many material inputs are limited. This applies to precious and nonferrous as well as ferrous metals, certain chemicals and especially imported materials, spare parts and components imported from nonsocialist countries whose volume should not rise above the 1980 level. All possibilities to produce some of those materials on our own in the CSSR have not been exhausted. Production of electronics is narrowly connected with advances precisely in the area of materials and with the development of sophisticated technological equipment. Demands for high purity at a small volume are typical for the materials used in electronics. Some of those materials (silicon, wolfram, molybdenum and others) are produced directly in our branch, however, they are merely a fraction of the whole gamut of metal and plastic materials and superpure chemicals which are either used directly in electronic products or on which their production is predicated. Here we rely on the assistance of other branches, particularly the Ministry of Ferrous and Nonferrous Metallurgy and both ministries of chemical raw materials. However, reproducible, stable and at the same time demanding parameters are the common denominator of our needs. In many instances, this will concern relatively small amounts, which is an advantage under the given circumstances in the supply of raw materials; it is precisely in electronics where the quality dramatically lowers the demands on the quantity of materials consumed in our national economy. In the final analysis, this is advantageous for metallurgical plants as well.

Another area where we cannot advance without the aid of engineering ministries, includes the capacities for the production of single-purpose technological equipment. Here again the scope of series production is not very extensive, as it always involves few units, at most few dozens of units of equipment which, however, must achieve the highest parameters. In this respect the capacities of the Federal Ministry of Electrotechnical Industry is not equal to the needs. They are used mainly for research, development and production of prototypes, and only in some cases for series and unit production.

Without the aid of other ministries the branch of electrical engineering and electronics depends considerably on imports from the capitalist states. Other socialist countries are also rapidly developing their electronic industries and their requirements are similar. Because foreign exchange for purchases of such equipment is strictly regulated, the delays existing in certain branches of electronics may be only very slowly eliminated.

Advantages to Consumers

On the other hand, our products must ensure higher efficiency and better quality for other branches of national economy. The problem is to upgrade the technological standard of our engineering products, particularly of machine tooling, forming and other equipment, by furnishing it with electronic control systems and thus, improving their use value and exportability. Furthermore, this involves rationalization, automation and robotization of technological processes with simultaneous improvement of the quality and efficiency of their production, which will help gradually eliminate errors in maintenance as well as strenuous or insalubrious physical labor. We attribute considerable importance also to automation of technological units. One of the key problems in the fulfillment of planned tasks today concerns the service life and reliability of electronics and electrical engineering equipment. To upgrade reliability of technological units used in the North Bohemia lignite basin, asynchronic electric motors with new thermoreactive Micalastic insulating systems of 250 to 640 kW capacity were developed for up to 2,000 mm wide long-distance conveyor transport and are being delivered by their manufacturers, the MEZ [Moravian-Silesian Electric Appliances Plant] communal enterprise in Brno. As compared with the original equipment, the determined service life of the new electric motors is four times longer. It is presumed that the newly developed 1,000 kW electric motor designated for long-distance conveyor transport more than 2,250 mm wide will achieve the same parameters.

Heavy-duty low-oil-content circuit breakers used now in strip-mining operations have a high rate of breakdowns. They will be replaced by vacuum contactors.

Their lot production is now being launched in the EJF [Julius Fucik Electric Power Plants] communal enterprise in Brno with first deliveries scheduled for the third quarter of 1981. Vacuum contactors have a service life one order higher than any other type of high-tension contactors; they are smaller and lighter, and throughout their service life they require practically no maintenance. For the consumer, the savings will be reflected in initial costs, assembly, maintenance and especially in more efficient use of time of technological units. Their electric service life is 500,000 switch-ons without maintenance.

In addition to the two above-mentioned examples, innovation and development of other new types of electric equipment for coal mining, for instance, rotor starters, control panels, protection, etc., are under way; their production and deliveries are scheduled for 1982-1983.

During the Seventh Five-Year Plan, electronics will gradually be introduced in several branches where its application is not traditional--in accessories of motor vehicles for more efficient operation of gasoline and Diesel engines, in antilocking brake systems, as replacement for mechanical switches, breakers, regulators of charging and ignition, etc. Similar functions will be introduced in agricultural machinery; moreover, various sensors and evaluating equipment will be added. Electronics will be used more extensively in household appliances. It is envisaged that by 1985 the application of microprocessor systems will be divided as follows:

Data processing	40 percent
Measuring, control, regulation	22 percent
Telecommunications	20 percent
Consumer electronics	6 percent
Entertainment electronics	4 percent
Medical electronics	3 percent
Special application	5 percent

It is obvious that the employees of the electrical engineering industry alone cannot achieve these objectives. Thus far, research of deliveries required from the electrical engineering industry in the Seventh Five-Year Plan, however, indicates that the consumer ministries failed to determine the full concept for further steps in application of electronics in their products. Although the demands for deliveries are up, unfortunately they do not contain structural changes. In direct contacts with production enterprises in consumer branches, we are now trying to determine the type of application planned for electronics and microelectronics.

It is evident that electronization will proceed in the conditions of the CSSR as a process of reciprocal effect, where supply leads to demand and conversely, demand affects the supply. Preconditions for the application of microelectronic elements must be set for that reason as soon as possible even in branches where the use of electronics was thus far limited or none at all. This calls mainly for education of the people so that they comprehend the opportunities for electronics in development and construction. The Ministry of Electrotechnical Industry wants to assist its partners by organizing a far-reaching campaign of technical education. Among specific actions organized in cooperation with the Czechoslovak Scientific and Technological Society, Svazarm [Union for Cooperation with the Army], colleges and the Union of Socialist Youth is a series of 200 training microcomputers designed so that experts may be trained with them in every branch. Some 200 to 500 experts will be trained with each of the minicomputers. The pledge made at the occasion of the 16th CPCZ Congress to manufacture the first 50 of these minicomputers was fulfilled before 30 June and the first 200 workers underwent their training.

We Must Export Electronics

Utilization of products involves their marketing abroad. This is one of the main tasks stipulated by the 16th CPCZ Congress for the engineering ministries and for our ministry. Specifically, it is envisaged that the branch of electrical engineering will double its exports over the 5-year period.

The USSR remains our foremost partner with a share of about 60 percent of the entire line of exports, particularly high-voltage electrical engineering products, computer technology and automation equipment, wire and wireless telecommunication equipment, measuring and nuclear technology, and medical equipment.

Our trade relations with the GDR, another important partner of our ministry, are characterized mainly by deliveries of computer technology, electronic unit components, and consumer electronics--tape recorders and car radios. Exports to other socialist countries may be described in the same manner.

Electric motors, vacuum technology, especially black-and-white television sets, medical and health-care technology, measuring equipment and partly also consumer electronics predominate thus far in exports to nonsocialist countries. We are planning to increase considerably the exports of investment electronics in the nonsocialist countries.

The high volume and broad selection of export goods and highly sophisticated products demand that the traditional forms of cooperation between production and foreign trade be enhanced. For that reason, we are planning to organize joint executive councils as advisory organs of general directors of foreign trade organizations, to conclude contracts between the VHJ of our ministry and foreign trade organizations, to appoint a joint conceptual team of the Federal Ministry of Electrotechnical Industry and the Federal Ministry of Foreign Trade, and naturally, we are focusing our attention on the best possible arrangement and management of foreign trade operations in foreign trade organizations integrated in the branches of the Federal Ministry of Electrotechnical Industry.

Thus far, production and foreign trade have been comprehensively correlated in the ZSE [High-Voltage Electrical Engineering Plants] and Chirana consortia. Along with authorization of export licenses, current negotiations are considering integration of imports in a scope commensurate to exports. The above-mentioned arrangement is expected to generate more flexible foreign trade transactions, to completely correlate plans, to facilitate better processing of documentation, to provide preconditions for better negotiations of cluster transactions, to simplify administrative operations, and to render integration in the international division of labor more efficient.

The effects of the past years, including 1980, and the data on the fulfillment of the export plans for 1981 indicate substantially higher fulfillment of export assignments in consortia licensed for foreign trade transactions.

In addition to the above-mentioned measures, we shall take steps in trade ooperations to improve the technological standard of products offered for export and to upgrade auxiliary services and finishing of the delivered products. I presume that our production will become more interested in exports than thus far, which the Set of Measures has also forecast.

With No Illusions of Self-Sufficiency

Trade is only one of the basic forms of foreign relations. For us it is indispensable to use the advantages of the international division of labor. We are deeply involved in socialist economic integration within the permanent CEMA commission for radiotechnical and electronic industries and within intergovernmental commissions for computer technology. The Czechoslovak-Soviet intergovernmental commission for economic and scientific-technological cooperation consists of five permanent action groups, namely, for electrical engineering, electronics, means of telecommunication, radiotechnical and instrument technology industries, automation equipment and control systems. All these groups are directly related to the corresponding branch ministries of the USSR, and our cooperation with them is very close.

An example of successful long-term multilateral cooperation of the CEMA countries is the development of the JSEP unified computer and the SMEP minicomputer systems. The CSSR has earned an important place in both programs. Two additional broad-range multilateral programs are now being developed--the unified communication system and the unified system of digital information transfer, which open a long-term outlook for our telecommunication industry.

The prospective plan of license policy of the Federal Ministry of Electrotechnical Industry will become in 1981-1985 a part of a long-term outlook and the concept for the direction of cooperation with industrially advanced countries. One precondition for license contracts is first of all guarantee of products whose quality and design meet the current technical standards and which our national economy needs, and the other is mutually advantageous economic cooperation.

As of now the ministry has signed 48 license contracts. It is envisaged that scores of other contracts will be concluded in 1981-1985. Most license contracts are focused on the component base of electronics, high-voltage electrical engineering products, computer technology, including NC systems, electronic appliances, communication and medical technology.

Numerous plans for cooperation with top manufacturers in Great Britain, the FRG, Switzerland, Japan, the Netherlands, Canada and France have already been drafted in detail. Foreign partners for other programs will be gradually carefully chosen so as to fulfill every demand on cooperation in production with advanced industrial countries.

It requires top-quality management to meet all the above-mentioned tasks. The managing apparatus of our ministry as well as the management of the VHJ and of enterprises must play their role here. The basic structure of the branches has already been determined. At present, we are planning coordinated construction of automated control systems for consortia whose highest components will consist of automated control systems on the level of general directorates.

To Manage Is to Know

To improve the quality of management, operations connected with the planning and partial implementation of the automated control system of the ministry were launched in the apparatus of the ministry. We are now coping with a number of problems stemming from the fact that the apparatus of the ministry is relatively small, but in terms of the scope of the tasks it implements and of managing operations it equals other branch ministries. We are searching for a solution in the quality of our operations and in automated planning of documentation for the decisionmaking processes. Specifically, we have already resolved and introduced data processing for the compilation and control of the summary five-year plan and of annual plans, for the documentation and control of the fulfillment of the plan of production, for compilation of chronological sequences of the indicators of production, processing and assessment of reviews concerning supplier-consumer relations, reviews of discrepancies in material and technological supplies of production, the five-year plan and annual import plans, and other programs. A computer also checks the control and fulfillment of the programs of operations in our ministry.

We are planning to deal with other areas in the future, such as control of the programs for technological development, planning, documentation and technical economic review of capital investment, and many other data, including invormation systems for top control by the ministry, whose operations will introduce a dialogue between the managers and the machinery. For that purpose, we are now installing a terminal consisting of ES 1011 computers and subordinate SM 4/20 minicomputers.

In their majority, the principal tasks of the Federal Ministry of Electrotechnical Industry for the seventh and eighth five-year plans, stipulated by the concept of development in electrical engineering industry, agree with the tasks assigned by the Main Directions. They are specified further according to the objectives and plans of individual VHJ. They are becoming more and more frequently the subject of the people's initiative within and outside the branch. The rapid development of the electrical engineering industry has not surpassed the framework of a single branch only by its importance but also by the complex of the preconditions which must be created for its comprehensive exploitation. It is a societywide task to straighten the road for electronization of our national economy. We regard our share in that task as an extremely urgent, societywide priority, and we take upon ourselves full responsibility for it.

9004
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LACK OF SOFTWARE, OTHER PROBLEMS HINDER AUTOMATION

Prague HOSPODARSKE NOVINY in Czech 11 Sep 81 p 7

[Article by Miroslav Karnik and Ladislav Zvolanek, Machine Shops Chotebor: "Automated System of Plant Management in Narrow Straits"]

> [Text] One of the tasks of the Set of Measures is to keep improving automated management systems and to make optimum use of computer technology in this context. It facilitates speedier processing of documentation, constant availability of relevant data and, last but not least, help cut down on administration. The perils facing implementation of the Set of Measures in this area are discussed in this article.

The key component of the automated system for management of our plant is management and technical preparation of production, but mainly acquisition and updating of a data base facilitating dynamic scheduling of the plan of final products. The automated management system suitably complements the information system, the logistical system, marketing and planning.

Lack of Requisite Software

The plant has owned its EC 1030 computer since 1977. The comprehensive program for development of management which represents detailing and implementation of tasks ensuing from the Set of Measures specifies as nominal tasks in the area of automation of management adaptation of automated tasks from selected key areas. One of them is calculation of norms for all consumption of labor value added and labor content of products and their utilization in technical preparation and operational control of key production. These are areas which form the backbone of our automated system of management.

However, the automated system of management in its entirety must be viewed from a somewhat wider aspect. The premier of CSSR government, comrade Lubomir Strougal, in addressing the nationwide aktiv [a work conference] for implementation of the Set of Measures said, among other things: "In the past decade we established a number of information centers, there was an increase in the number of computers, and there was a particular increase in personnel for their operation; yet, we are not always able to assess the resultant effects of this expensive technology and whether the great number of personnel made available for these operations becomes in any way reflected in an improved level of management and in an improved effectiveness of the national economy." (See the Compendium of Documents and Materials for Improving the Planned Management System of National Economy after 1981, SVOBODA, 1980.)

True, many computers of the uniform system have been produced and imported, but without a single user-oriented program from areas relevant to plant management. Such software is currently available only for computer EC 1021. Plants being equipped by computers imported from socialist countries, of which we are one, faced and still are facing the problem of what system of management to implement so that it would be compatible with both the computer and, as far as possible, the purposes of the plant, and mainly that it have adequate software. Types of automatic computers have been subject to changes over the years so that, e.g., the intent of VHJ [Economic Production Unit] CHEPOS to use only computers EC 1030 held good for three years and currently it will be supplied with a third type of computer with none of the types being mutually fully compatible.

Under the circumstances we chose to embark on a path of cooperation with the trouble-shooting team of the general management of the VHJ and formed a data base for technical preparation of production (BOMP) the updating of which can be implemented by software supplied with IBM computers. Thus, we have at our disposal data regarding all products, materials and technological processes used in production in accordance with individual production operations.

In this way we have created the prerequisites for meeting the challenging program stipulated in the Set of Measures for Basic Orientation in Development of Automated Systems of Management. But let us have a closer look at this task. Capacity utilization balance of work stations is a nominal task called for by all levels of plant management for years. It includes computation of utilization of capacities on a time curve of production progress according to individual work stations with adapting the schedule of operations to full use of the capacities. This assessment is tied in with the breakdown of the plan of final production into its individual components in the time curve of progress of production.

Nevertheless, both of these tasks cannot do away with disproportions in use of capacities discovered in the progress of computations. Their advance shift is precluded by nonavailability of materials, their backward shift by the time sequence of assembly. Thus, it must be preceded by yet another task, namely by optimalization of the annual plan of final production from the viewpoint of optimum load distribution on work stations. However, it must be pointed out right away in this context that our computer EC 1030 cannot tackle this task due to limitations in its technical parameters. But it cannot be handled even by computers with more extensive memory storage. The reason is that there is no program which could process this task for an entire production assortment, even though experimental computations in this area are on hand.

As improvement of the quality and efficiency of planning in the national economy represents a substantial part of the Set of Measures and as optimalization tasks are to promote its implementation, our plant is faced with the task of how to deal with the problem. And it is not just our plant, but probably hundreds of others owning an automatic computer, using the latter for processing large volumes of data that find themselves in this position when they reach the stage of drawing up the plan on a scientific basis. This stage, due to lack of programming software, marks the end.

A Matter of Concern not only to Users

Combining of all of these findings provides the answer to the approach to be taken in streamlining the system of information and improving the effectiveness derived through the use of expensive computers. In our opinion, the onus of dealing with the problem cannot be left up just to the plants themselves. The requisite nominal tasks must be assigned to facilities available to such organizations as Inorga, Research Institute for Engineering Technology and Economy, Office Machines, Data Systems, etc., for specific types of computers, and putting a ban on production or importation of automatic computers without complete software for plant management. Only in this manner can the Set of Measures be considered implementable in the area of basic trends of development of automated systems of management.

In spite of all the shortcomings and problems we managed to come up for production with documentation which adequately meets the needs of operational planning and control. We are in the process of creating a number of prerequisites needed for qualitative improvement of norms by technical sectors.

The fact that each product has its own summary output norm, which we update twice a year, makes it possible for the design and technology sectors to monitor the impact of design changes and streamlining measures on the labor input applicable to individual products. In the future we would like to make an assessment of changes by an automatic computer already at the moment of their occurrence.

However, for the purposes of the annual plan, balancing of utilization of capacities cannot be based merely on the summary output norm, but labor input at each work station must be calculated in its distribution in the time curve of the progress of production. This problem we want to tackle in cooperation with the trouble-shooting team of our VHJ.

In the area of calculations we quarterly tabulate operational calculations for the entire data base. Here too are monitored the impacts of changes and those of streamlining measures, this time expressed in terms of value. Changes in wholesale prices of basic materials and subdeliveries and their effects on the cost of individual products are also assessed in this manner.

For the sake of completeness it should be pointed out that we use the computer not only for tabulating the operational production plan, but also turnover and state of unfinished production according to orders on hand, deviations from material consumption standards and documentation for final calculations. We further use the computer to process all the records regarding inventory and flow of material supplies to include statistics, produced sections on hand in in-process storage and spare parts. As an interdepartmental task we process the closing balance of intraplant accounting to include deviations between actual and budgeted state.

Operational Calculations

Reorganization of production units in the seventies formed the basis for a new arrangement of centers and a new approach to providing for economic operation of the centers as well as of the plant. With the exception of intraplant foundry operation, the plant has no center with a closed production cycle, even though even in the case of the former, assignment of tasks and monitoring of their meeting follows a similar procedure as that applied to the remaining centers of machinery production. This simplifies administration in assignment of tasks and facilitates easy use of computer technology in the area of the reporting system for centers.

Economic operation of the plant and centers is based on the qualitative level of norms stored in the data base of the computer center. Operational calculations worked out on the basis of these norms must be of sufficient quality to allow carrying out of the plan for the current year to progress without any major disproportions in the use of capacities and materials. This is accomplished by technical development and long-term tasks assigned to individual units in the framework of comprehensive promotion of socialist efficiency.

Measures designed to back up routine operational calculations must be provided with sufficient lead time in relation to the average time for implementation of changes and production orders. In cases where formulation of the plan for the current year does not include product calculations in relation to projected profit, share of material costs, etc., they must be supplemented by projections for lower consumption of labor and materials.

Such a supplement in the form of short-term tasks in comprehensive promotion of socialist efficiency is understandably undesirable, as it creates a certain anxiety in meeting the tasks for the current year, multiplied by difficulties in supplier - user relations, discrepancies in projecting resources for new equipment and technology, etc. Preproduction units are fully aware of the need for lead time in the formation of an optimum level of the data base, so that such supplemental tasks are more of an exception than a rule in a detailed specification of tasks for comprehensive promotion of socialist efficiency.

Our budgeting system is thus constituted by the data base stored in the computer which is kept at the desired level by means of a system for implementation of changes. Information from this data base forms the basis for operational calculations and documentation for production (withdrawals of material, job tickets, etc.). We base this approach on the principle that the shops are provided with norms for consumption of materials and labor that had already been verified. The thus determined costs are not tampered with by the shop, its obligation is to stay within the directed cost specifications.

Nonrecurring deviations from norms are included in the overhead of each given center. When permanent deviations are incurred (change in materials), the norms are updated accordingly. For these reasons prime cost per individual parts, products and the total for the shop in Kcs do not appear in the specifications for centers tied to the operational plan of production. For purposes of our reporting system and intraplant utilization of calculations we make use of running calculations from the phase of mechanical processing via in-process storage to the assembly phase. This does away with job costing of parts in in-process storage at intraplant prices determined by our own production costs.

Thus, in the course of production of parts and products, the centers can substantially influence the amount of overhead. Each productive or nonproductive center is assigned a limit based on budgeted costs of overhead attendant to its operations. To stimulate participation of workers and center heads in the system of incentives, selected types of overhead costs are classified according to the extent they can be affected by them.

A component part of budgets for centers is a set of indices. The output index currently used in production centers are standard hours in machining shops and goods production in most assembly shops. The number of personnel and the wage fund extent are limited for each center. We individually monitor and provide a system of incentives for meeting goals in comprehensive socialist promotion of streamlining.

Planning, marketing, inventory and other indices are used for centers within the marketing sector. Centers of the technical sector are evaluated on the basis of contributions derived from innovations and development of new products (in essence for contribution from subsidies) in addition to goals of comprehensive promotion of socialist streamlining. Some impacts from subsidies may eventually be included into the above.

In view of what was said above, we will not be able to introduce in the foreseeable future indices of adjusted value added and of return on investment in production assets in the centers. The Set of Measures itself does not call for any forcible or administratively taxing solution. We are currently ready for issueing an organizational directive specifying the rules for intraplant khozraschet [cost accounting system] of center management. It calls for a more stringent approach to assigning and assessing the individual indices of center management. We insist on following the vertical line, so that evaluation of the tasks of a lower level also accrue to its head, or a group of personnel on a higher level. For that reason we also intend to group the centers according to sectors or branches of production.

Even though contributions from turning out products of a high technical level and of first class quality are planned and actually shown for corresponding centers, we are aware of some of the weak spots in our plant. These include, e.g., lack of systematic and time-related assessment of price and cost limits and projection of contributions to profit and profitability of the plant into plans. We deem the situation to be far from ideal when long-term and short-term tasks and contributions from them are lumped for assessment in the overall yearly plan of comprehensive promotion of socialist streamlining.

At the present we also do not always succeed in providing the centers, particularly production centers, with a plan that would be balanced in all respects, which is due to inadequate software equipment of the automated system of management in the area of annual plan optimization. Difficulties encountered in supplier - consumer relations force us to make operational changes in the original production plan. To this very day we have not managed to project the demand for metallurgical materials for the current year, particularly for stainless steel plates of which we use great quantities in the production of food-processing machinery. At the same time, our comprehensive streamlining brigades reduced the weight of some machines by as much as 20 percent. The current outlook in deliveries of materials may adversely affect goods production to the tune of Kcs 5 million and deliveries for exportation to socialist countries (because we are unable to complete final assembly) by Kcs 13.7 million by the end of the third quarter.

8204
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NATURAL GAS PLAN FULFILLMENT, PERSPECTIVES

Prague SVET HOSPODARSTVI in Czech 13 Aug 81 p 2

[Article by Eng Pavel Kanta, Federal Bureau of Statistics: "The Achievements and Perspectives of Gas Production"]

[Text] The gas production system in the CSSR is focused on imports of natural gas from the USSR, and to a lesser extent, on the production and distribution of lighting gas in Bohemia and Moravia and on the search for bitumens and their extraction. The growing imports of natural gas directed the main tasks of our gas industry during the Sixth Five-Year Plan toward the construction of transport gas lines and underground storage tanks.

During the Sixth Five-Year Plan our gas industry acted as a stabilizing factor of the fuel and energy base in the CSSR, particularly because of the highly dynamic imports of natural gas from the USSR, which increased 2.2 times above the 1975 level. Our state gained further importance as transit for deliveries of natural gas to the West and South European countries. During the Sixth Five-Year Plan our gas industry provided continuous supply of heating gases for our national economy and for our population. The services of underground storage tanks for heating gases helped balance the total supply of heating gases.

The developing gasification of our national economy and households according to the plan and the fulfillment of international agreements on cooperation in delivery of natural gas from the USSR to West and South Europe called for extensive capital investments which in the Sixth Five-Year Plan amounted to Kcs 16.4 billion. In order to balance the irregular deliveries and consumption of heating gas during the Sixth Five-Year Plan, the storage capacities of underground gas tanks were expanded from 560 million cubic meters in 1975 to 1.34 billion cubic meters, and daily extraction from 4.2 million cubic meters to 10.6 million cubic meters. To satisfy peak consumption of lighting gas, the Cechy II seasonal source of lighting gas with overall capacity of nearly 2 million cubic meters/day was constructed in Usti and Labem and introduced into operation ahead of schedule.

The directive of the 15th CPCZ Congress for gas production during the Sixth Five-Year Plan stipulated as a vital task the completion of the construction of transit gas lines with transport capacity of 37 billion cubic meters of natural gas per year and the launching of the construction of the Consortium gas line which is scheduled for completion in 1984; thus, the overall transport capacity will increase to 53 billion cubic meters per year. The first section of the gas line, which is 1,029 km long, was put into operation during the Fifth Five-Year Plan. The second section of the line, which is 1,186 km long, was completed in 1978. The output of the transit gas line with the stipulated transport capacity of 37 billion cubic meters was reached on 31 October 1980. The construction of the Consortium gas line was launched according to intergovernmental agreements concluded in 1978; its target capacity is 16 billion cubic meters of gas transported per year. At the end of March 1981 the entire 905 km long line was in operation and five compression stations were under construction.

Another noteworthy program with special importance for the overall fuel and energy balance of the CSSR was the successful completion of the tasks in the Czechoslovak section of the construction of the Soyuz gas line. All actions stemming from the plan for integration of operations were completed during the Sixth Five-Year Plan.

Along with the construction of the transit gas line the construction and reconstruction of distribution systems continued; their objective is to achieve continuous supplies of heating gas and to include additional areas and communities of our republic in the distribution network. In accordance with the directive of the 15th CPCZ Congress, 1,596 km of long distance networks and 3,155 km of local networks and lines were put into service. At the end of 1980 the total length of long distance lines amounted to more than 10,000 km, and of local networks to more than 14,400 km. During the Sixth Five-Year Plan the rate of growth of gasification of towns and communities was higher than in previous five-year plans. At present 494 towns and communities, 305 of them in the CSR, are using natural gas and lighting gas. The conversion from lighting gas to natural gas has progressed well. The plan was 109.5 percent fulfilled in the CSSR, of which 118.3 percent in Prague. In the SSR, the conversion was completed in 1978; almost 270,000 consumers in the CSR have been converted, 110,500 of them in Prague. During the Sixth Five-Year Plan the total number of consumers increased by almost 365,000 to 2.1 million, of which the number of residential consumers to nearly 2 million.

The main directions in the economic and social development of the CSSR for 1981-1985, approved by the 16th CPCZ Congress, consider further development of gas production. After a rapid increase of sources, primarily of imported natural gas, the gas system will be stabilized during the Seventh Five-Year Plan, with the focus on the completion of the Consortium gas line and on the reconstruction and expansion of the distribution system and of underground storage tanks for heating gas. The construction and reconstruction of high pressure gas lines and gas lines for comprehensive housing construction will continue. Additional local networks, primarily those in Prague and Bratislava, will be remodeled. Additional communities will be added to the gas distribution network and the conversion from lighting gas to natural gas will continue. Due to higher consumption of heating gas in residential housing areas it is necessary to expand the underground storage tanks and to undertake the necessary construction, repairs and maintenance of the pressure gas works.

9004
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WEST SLOVAKIA'S SHORTFALL IN CEREAL PRODUCTION REPORTED

Bratislava ROLNICKE NOVINY in Slovak 8 Sep 81 p 3

[Article by Eng Milan Maloch: "Strategy for Self-Sufficiency--Priority to the Development of Grain Cultivation in West Slovakia Kraj"]

[Text] Since the early 1960's agriculturists in West Slovakia Kraj devoted special attention to the development of grain cultivation on a priority basis. In close cooperation with the scientific research base under the leadership of the Agricultural College in Nitra, advanced achievements and information provided by sciences and research in agrotechnology, nutrition, protection and cultivation of crops were broadly applied in the operations of the enterprises on the basis of grain-producing programs.

Grain cultivation made considerable strides during the Sixth Five-Year Plan, characterized by a notable advance of high-yielding domestic winter wheat hybrids developed by our researchers, Dr Melichar Bartalos, Dr Bohumil Kabrt and Eng Stefan Szamak, on the basis of original Soviet materials, particularly cultivation of the Mironovskaya and Krasnodarskaya hybrids. Hybrid agrotechnology began gaining importance in the grain cultivation program aimed at the fullest possible exploitation of the biological potential of new, high-yielding hybrids.

During the Sixth Five-Year Plan harvested areas comprised 2,507,000 hectares, which is 8,200 hectares less than in the preceding five-year plan. Despite the effects of the weather during two inauspicious years (1976 and 1979), our agriculturists maintained the positive trend in the development of grain cultivation and achieved a total yield of 11.4 million tons of grain, which is 816,000 tons more than in the Fifth Five-Year Plan; the average per hectare yield was 4.55 tons. During the Sixth Five-Year Plan average per hectare yields over 5 tons were reported by three okreses in West Slovakia Kraj, namely, Dunajska Streda (5.45 tons), Galanta (5.03 tons) and Komarno (5.03 tons), with Trnava Okres coming close (4.99 tons).

The last year of the Sixth Five-Year Plan, 1980, deserves special mention as a record-breaking year. For the first time in our agricultural history grain production in West Slovakia Kraj exceeded 2.5 million tons (2.62 million tons) with an average per hectare yield of 5.24 tons.

The Demands and Complexities of the Program

The self-sufficiency program is most demanding and complex because it must be implemented under the direct effect of weather conditions which influence it. This fact was distinctly evident in the current year. Material and technical supplies, especially technology and protection against weeds, diseases and vermin, were not always readily available when needed to mitigate the adverse effects on the cultivation and development of grain crops.

Although increased initiative and determination often offer compensation for shortages of such resources, the ultimate results are not always commensurate to the efforts invested in them.

Rapid progress of harvest work was facilitated by favorable weather and also by adequate technology from local and cooperative sources made available at the last moment and delivered at the appropriate time in our kraj.

Grain harvest was completed in 8 to 12 workdays because of the devotion, initiative and efforts of our agronomists, mechanics, harvester operators, repairmen, tractor drivers and services in most enterprises of our kraj. The adopted strategy was successfully followed--harvest work was finished promptly, expeditiously and with a minimum of waste which did not exceed the stipulated limits.

It Is Everyone's Concern

Due to short supplies of spare parts, the repairs of harvesters lagged behind considerably and only because of emergency measures and of extraordinary efforts by our repairmen and mechanics and with the assistance of sponsoring enterprises, was harvesting equipment made available at zero hour. Such an approach to repairs of harvesting technology must stop once and for all. It is unconscionable to face in the future another stressful situation of the kind we faced this year and in the past!

The Ministry of Engineering should have a decisive word here. Someone must be made responsible for the production, import and supply of technology. I wish to underline that the problem of our self-sufficiency in grain production concerns all of our national economy.

Alas, the situation does not look any more favorable when it concerns the repairs of equipment for autumn work--harvest of autumn crops. In short supply are plows with eight and more blades, wide-gauge weeders, rotary tillers, seeders, particularly disk seeders, and other wide-gauge heavy-duty suspension equipment, corn-harvesting machinery, especially stalk cutters, fodder-crop harvesters, etc.

It is unconscionable and inefficient to demand as before that our agriculturists deal with such problems by implementing their own improvement proposals and by working "on their knees." The yield of multiannual fodder crops and silage corn was lower because of the unfavorable weather. However, we have no equipment to harvest the valuable corn stalks which can make up for at least a part of the shortfall in bulk fodders.

What Are the Results?

Densely cultivated grain crops were harvested from an acreage of 355,344 hectares; 1.46 million tons were harvested with the average per hectare yield of 4.11 tons. The grain production plan was 82.8 percent fulfilled and the total shortfall amounted to 303,600 tons of grain. The average per hectare yield of wheat was 4.37 tons, of rye 2.6 tons, and of early barley 3.85 tons. The lowest shortfall in the planned grain production was reported in the okreses of Dunajska Streda and Bratislava-Suburbs. The lowest fulfillment of the plan for unified agricultural cooperatives and state farms was noted in the okreses of Levice (76.5 percent) and Topolcany.

According to the yields they achieved the okreses rank as follows: Dunajska Streda - 5.05 tons, Trencin - 4.01 tons, Komarno - 4.55 tons, Trnava - 4.46 tons, Galanta - 4.40 tons, Nitra - 4.08 tons, Nove Zamky - 4.04 tons, Levice - 3.90 tons, Bratislava-Suburbs - 3.86 tons, Topolcany - 3.76 tons, and Senica - 3.40 tons. However, according to agroecological ceilings and exploitations of conditions for production, first was Dunajska Streda Okres (ceiling 5.40 tons and 93.5 percent of utilization), second was Trencin (4.42 tons and 90.7 percent), third was Komarno (5.18 tons and 87.9 percent), fourth was Trnava (5.12 tons and 87.1 percent), fifth Bratislava-Suburbs (4.52 tons and 85.4 percent), etc., 10th was Levice (4.91 tons and 79.4 percent), and 11th Nove Zamky (5.12 tons and 79 percent).

The agroecological ceiling of the kraj amounted to 4.89 tons and exploitation to 84.1 percent. Compared with the soil, climate and cultivation conditions, the production of densely grown grain was 20 percent lower in the okreses of Nove Zamky and Levice. The okreses of Dunajska Streda, Trencin, Trnava and Komarno have a long tradition of highly sophisticated, excellent agrotechnical measures which made it possible to counteract to a major extent the effects of the unfavorable weather and to mitigate the shortfall in yields.

This year there is not a single enterprise in our kraj with an average per hectare yield over 6 tons (last year 98 enterprises did (!) and 6 enterprises harvested over 7 tons). Only 49 enterprises harvested more than 5 tons of grain, and 166 enterprises from 4 to 5 tons (per hectare).

More than 6 tons of winter wheat were harvested only in the unified agricultural cooperatives of the Czechoslovak Agricultural Enterprises in Trebetice (6.35 tons), Horny Bar (6.05 tons), Luc na Ostrove (6.02 tons), Trhove Myto (6.02 tons) and Jahodna. Over 6 tons of winter barley was harvested in the unified agricultural cooperatives in Horne Saliby (6.20 tons), Sokolovce (6.17 tons), Nove Zamky (6.10 tons), Vajnory (6.01 tons) and Cicov (6.0 tons). Not a single enterprise produced more than 6 tons of early barley and only 16 enterprises (5.9 percent) harvested more than 5 tons.

Legumes proved to be the best precultivation crop in our kraj; wheat produced 4.60 tons on an area of 13,500 hectares. Crops sown in late September produced 4.75 tons per hectare. Solaris, a domestic hybrid, produced 4.53 per hectare with a share of 16.5 percent of a 32,000 hectare area. Unfortunately, this year the Kosutka, Sava and Istra failed to meet our expectations. The Vala produced 4.65 tons, Slavia 4.47 tons, but Yubileynaya and Amika 4.46 tons (9.6 percent share). The newly developed hybrids, such as BU 17, 18 and 20, again produced bumper crops.

Opal with 4.18 tons (0.38 tons more than the kraj average), Koral with 3.91 tons and Spartan with 3.74 tons produced the highest per hectare yield of early barley. As it has been its tradition, Triumf produced good harvests in the okres of Dunajska Streda (4.51 tons) and its average yield was 3.81 tons.

In the opinion of the developers of our hybrids, only 50 to 60 percent of the potential yield of our domestic and foreign hybrids have been utilized. That is not enough; it proves that major reserves exist in our agrotechnology, in thorough study of efficiency and biological characteristics. Good agrotechnology should determine the best possible conditions for the growth and development of the crops.

How to proceed in the future?

In order to meet the grain production planned for 1982, winter wheat must be grown on 214,000 hectares, rye on 11,000 hectares, winter barley on 11,000 hectares and winter mixes on an area of no less than 20,000 hectares. Such tasks are not negligible, but certainly everything will be done to meet them successfully. Under the leadership of the CPCZ and in good cooperation with the scientific research base, the agriculturists of the West Slovakia Kraj will achieve further progress in grain cultivation.

9893
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CSSR'S GRAIN SHORTFALL CAUSES CONCERN ABOUT LIVESTOCK PRODUCTION

Prague HOSPODARSKE NOVINY in Czech No 38, 18 Sep 81 p 2

[Article by Zdenek Hoffmann, worker at the CPCZ Central Committee: "Agriculture"]

[Text] Much earlier than in the previous years, the grain harvest was completed last week even in the highest situated areas. This year's harvests were without any doubt among the most complex in a long time. The unusual, for agriculture particularly adverse, weather on our entire territory virtually from last fall created unfavorable conditions not only for the growth of grain crops, but also for their maturing and harvesting in some krajs. The effect of weather, of course, considerably varied in individual areas. While in West Slovakia Kraj of the SSR and part of South Moravia Kraj of the CSR drought and high temperatures during the period of ripening adversely affected the crops--the grain was too dry--in other areas such as Central Bohemia and East Bohemia krajs considerable damage was caused by excessive precipitation and even hails during the harvest time.

Lodging of grain crops occurred in almost the entire CSR on a much larger scale than in the previous years. It involved approximately half of the area sown. A specific negative factor was the inundation of considerable areas either directly or by the rising water table. The inaccessibility of fields and complete interruption of harvest work at the beginning of August caused overripening of some plants. Under these circumstances--although the interruption of work was used for repair of equipment, expanding of cooperation in the employment of combines and assistance of sponsoring plants in transportation--the harvest losses quite logically considerably increased. All this resulted in the reduction of yields per hectare in comparison with the preliminary estimates made in June and July. This was apparent particularly in regard to barley. While the 15 July estimates had anticipated a yield of 3.8 tons per hectare for spring barley, the actual yield amounted to a little more than 3.4 tons. Bigger harvest losses which, together with drought in the most intensive areas of the SSR and CSR, considerably affected the overall harvest volume, occurred also in wheat and other grain crops.

According to the check on 15 August, which in a number of okreses was based on definitive results, the harvest of basic grain crops amounted to approximately 8.8 million tons which was 11.8 percent less than last year. If we include in these estimates the anticipated crop of corn for grain, the fulfillment of the total plan of grain production is expected to reach 88-89 percent. In comparison with last year and the plan, the biggest production losses will be registered in the most intensive and, by their production volume, most important krajs--West Slovakia and South Moravia. It is precisely these two krajs which were most adversely affected by weather. The objective effect of weather in this entire area is also borne out by the similar situation in grain crops in the neighboring Hungarian People's Republic.

On the other hand, relatively favorable results will be achieved in the higher situated areas, where the grains matured and were harvested later on. In South Bohemia and West Bohemia krajs the yields per hectare are on last year's level and production volume will exceed that of last year. In the SSR, the results in East Slovakia Kraj are more favorable than in 1980.

Although the adverse effect of weather on this year's grain production is undeniable in the entire state and according to the foreign estimates a poorer crop is expected in the entire western half of Europe than in 1980, we cannot say that the adverse weather was the only negative factor. The yield per hectare was also affected by other, including subjective, factors. Under the aggravated conditions, all defects in agronomy, care and nutrition of soil as well as defects in other professional activity of agronomists became even more apparent. This is borne out by the differences both between entire agricultural enterprises operating in identical conditions and particularly between individual fields of identical quality within JZD [unified agricultural cooperatives] and state farms.

It must be appreciated that agricultural enterprises realized it and want to use also negative findings for uncovering reserves. Immediately after the harvest, they analyzed in depth the reasons for these differences. The Rozkvet Kvasice JZD in Kromeriz Okres, for example, which definitely cannot be described as inefficient--the yield of grains per hectare exceeded 5 tons also this year--verified a number of facts, by such an analysis. They found that on fields on which because of difficult conditions they did not manage to sow winter wheat within the agronomic deadlines last year, its yield, in comparison with areas sown on time, was approximately 10 percent lower. The areas sown with wheat after a less appropriate crop yielded 3-4 percent less than the fields previously sown with good crops. The differences in the yield per hectare between individual varieties of winter wheat amounted to as much as 20 percent. There was a similar situation in regard to spring barley.

In addition to adherence to agronomic deadlines and correct choice of seed varieties, it is imperative, on the basis of findings during the 1980/1981 economic year, to sow winter grain crops on the specified areas. This particularly applies to wheat which is our most efficient grain crop at the present time. According to the average of last 5 years, its yields per hectare were 0.3 tons, or approximately 8 percent, higher than the yields of spring barley. This means that we must not be satisfied with its sowing on the planned areas, but must--as some JZD and state farms correctly anticipate--create a reserve for eventual poor wintering of young plants. Especially since we know that plowing under of wheat in many agricultural enterprises and the resulting reduction of harvest areas and, in some instances, also the reduction of areas sown with grain crops in general, were the reasons for the production decline.

The most important conclusion from the poorer crop this year must, of course, be the proper administration of the available grain supply. Through meeting the targets set for purchase to the state reserve by all krajs on a priority basis, the needs of the food industry are fully secured, including malting barley whose quality, however, is again not satisfactory this year. The seed supply in the required variety structure is adequate for the entire state.

The grain shortfall is, of course, reflected in the grain fodder supply and the poorer crop thus aggravates the solution of problems in livestock production. In view of the rather limited possibilities of importing grain fodder, this will call for consistent and immediate measures in the area of fodder supply. Apart from the mandatory system of administering grains for fodder and grain fodder instituted last year, the primary emphasis will be on even bigger replacement of grains in allowances for cattle by bulk fodders. Although their supply as to quantity is not quite satisfactory, in comparison with the previous years they are of substantially higher quality and thus have also a higher nutritional value. As the harvesting now in progress indicates, corn silage also will be of high quality. The fodder supply in most agricultural enterprises will also be augmented this year by intermediate crops sown on stubble fields. In the drier areas, such as the Litomerice region, it is anticipated that at least half of these areas could be harvested for fodder purposes. The principle must, of course, be observed that bulk fodder must be administered most economically and used most efficiently.

With reference to pigs and poultry which virtually depend on grain fodder alone, the principal task is to strictly regulate the herd in accordance with the plan and possibilities in fodder supply. Furthermore it is necessary to reexamine the possibilities of using supplementary sources of fodder such as garbage from the food industry and kitchens. In feeding of pigs, full use must be made of the formerly traditional fodder, that is potatoes. In contrast to grain crops, the harvest of potatoes is expected to substantially exceed the average of recent years—almost 20 tons per hectare in the CSR. Due to the technology of feeding, this will require special measures in most feeding centers.

10501
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CHARACTERISTICS, SHORTCOMINGS OF HUNGARY'S BASIC INDUSTRIES ANALYZED

Budapest STATISZTIKAI SZEMLE in Hungarian Aug-Sep 81 pp 789-798

[Article by Dr Imre Kristof: "The Situation of the Basic Industries and Certain Problems of Their Development"]

[Text] One of the essential characteristics and driving forces of industrial development is the broadening of work distribution among the producers and the strengthening of the specialization processes of production. In the newest phase in the historical development of work distribution, production cooperation is overstepping in wider and wider scope the boundaries of national economies. In the development of a given country's industry, both in quality and the speed of progress, an important role is played by the facilities for the activities of the so-called basic industries, or the elements which characterize the state of development in the manufacture of such products, participation in international work distribution, and the changes that are taking place in these areas.

The domestic situation of the basic industries has frequently been the subject of debate, or of criticism, in recent years inasmuch as its development and performance capability has not reached an adequate level. In the recent past, the highest-level (party and state) economic management organs have dealt with the problems of the basic industries, the search for the possibilities of their solution, and the tasks of development. For example, in its preliminary report to the 12th Congress evaluating the economic development of the Fifth Five-Year Plan period, the MSZMP Central Committee stated that in the machine industry: "No worthy progress was made in the development of the production of modern prefabs, components or parts. The ratio of products made in international cooperation increased, but still has not reached the desired degree."[1] On the basis of all these things, the resolution of the Congress which set the further tasks emphasized in indicating the development lines of the processing industry that "ratios which adjust to production and marketing possibilities must be developed between the manufacture of finished products on the other."[2] It was in this spirit also that the Sixth Five-Year Plan was prepared, regarding which the statement of the National Planning Office among other things stated: "Capacities and manpower which are released through the elimination of production that cannot be made profitable must be used primarily for

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1. Protocol of the 12th MSZMP Congress. Kossuth Konyvkiado, Budapest, 1980 p 43.

2. See p 475.

the economic expansion of the industries basic to the production of final products."[3]

The concept of basic industries and the scope of products in basic industries can be interpreted according to various projections and definitions. We can regard as most general the concept according to which the production of the basic industries includes those products which do not meet final consumption needs but are linked to the production of other final products into which they are built, fitted or are transformed, and which are regularly used for various final products in certain manufacturing branches. As deriving from technological characteristics, the basic industries in the narrowest sense of the term are made up primarily of machine industry, metallurgy, chemical industry and light industry parts, components and semiprocessed products. To approach it another way, these appear essentially in production cooperation relations within the industry.

Depending on the extent to which we expand the scope of products being considered, the basic industries can also be interpreted with broader content all the way to the extreme case where we examine the supply relations of the industry from the viewpoint of the economy as a whole. In this broadest concept, certain sub-branches of industry form the basic industries for other economic branches (for example, the construction material industry forms the basic industry for the construction industry, and certain areas of the chemical industry for agriculture). Moreover, machine industry manufacture may be regarded as the basic industry of the repair-service industry; and finally, various producer and nonproducer areas of machine supply for the economy, and the provision of these with parts may be classified as of a basic industry character.

Below, I shall deal with the characteristics of the production, development and international cooperation relations of basic industries in the narrower sense.[4]

Problems of Domestic Basic Industries

The problems of domestic basic industries are very complex, and therefore the possibilities for their solution may also be manifold. From the viewpoint of the performance capability of the basic industries and the quality of production and products, a very essential condition is the development of the product structure of the industry or certain of its branches. It is well known that the product spectrum of Hungarian industry and in this respect the machine industry in particular, is rather broad. This is not expressed primarily in a great number of products being put out but in a relatively high ratio of domestic manufacture of the necessary parts and components. According to some international comparisons, countries similar to ours in size but industrially more developed import a greater ratio of machine industry products and use a greater ratio of imported materials for the machine industry than our own; and paralled with this, these countries also conduct exports of greater importance.

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[3] Bulletin of the National Planning Office on the Sixth Five-Year Plan for the development of the economy. TERVGAZDASAGI ERTESITO, 6 January 1981, p 37.

[4] For the writing of this study I also used, among other information, case studies prepared by about 20 individual enterprises on their domestic and international cooperation activities.

Self-sufficiency in this sense has led to the fragmentation of production, to the disuse of our advantages, and to a lag evident in the technical and quality level. Therefore, in the final analysis one of the causes of the problems with the state of development in the basic industries, with its performance capability and its intra-industry cooperation may be ascribed to the heterogeneous and therefore fragmented nature of the product structure in Hungarian industry (see Table 1).

Table 1

Distribution by Enterprises of the 1977 Production of Several Basic Industry Products

Product	Number of manufacturing enterprises		Ratio of enterprise production outside the sub-branch according to profile
	Total	outside the sub-branch according to profile	
Iron castings	51	42	49
Forged and pressed steel products	24	18	46
Alloyed aluminum products	55	42	20
Metal processing tools without shavings	74	15	3
Machine tool without shavings	49	16	61
General industrial metal equipment	39	15	2
Iron reinforcement	59	18	9
Screw, nut, rivet	104	39	5
Industrial packing of metal packing equipment	78	37	64
Gears	25	3	0
Machine building element for general use	71	19	15
Low voltage electric equipment	57	22	1
Cable equipment and electric fitting product	37	15	5
Communications technology structural element, component, attachment for general purpose	50	14	10
Soft rubber product for industrial use	36	28	6
Synthetic semifinished product	44	25	27
Technical synthetic product	86	61	19
Synthetic lock	33	15	52

Frequently 30 to 40, and even more, industrial enterprises equipped themselves for the manufacture of certain typical products of the basic industry, in addition to enterprises that are specialized according to profile. By putting a special machine or so into operation, most of the enterprises have sought to meet mainly their own needs for the parts and semifinished products in question. This fragmented development of production has had the consequence that enterprises deal widely with the manufacture of products that are different from the sub-branch to which they belong (for example, enterprises in the light industry make machine parts, or machine industry factories produce synthetic products, and so forth).

A second important factor in the problem is to be sought in the development of the organizational system of the industry. To be sure, characteristic of the industrial development of our age is the parallel development of enterprises of varying size. Despite the expansion of large enterprises (giant monopolies) in the developed industrial countries, small and medium-size plants continue to play an indespensable role in work distribution because these cooperation relations within the industry form the backbone of basic industries. Excepting the past year and one-half, concentration and centralization efforts in our industry have been practically exclusive in recent decades, and a rather neglected area. As a result of this centralization, the number of industrial management units operating independently has declined, while the ratio of large enterprises with many plants rose to a high level also internationally. (See Table 2)

Table 2

The Number of State and Industrial Enterprises Between 1960 and 1980*

Designation	1960.	1965.	1970.	1975.	1980.
			Year		
Ministry enterprises	890	526	532	543	546
Council enterprises	478	314	280	236	153
State enterprises	1368	840	812	779	699
Industrial cooperatives	1251	811	821	793	663
Total	2619	1651	1633	1572	1362

*Year-end data

The centralization process was fostered in the 1970's to a considerable degree through amalgamations carried out at enterprise initiative. On behalf of intra-industry cooperation and reduction of the growing difficulties in the basic industries, the enterprises frequently asserted that from the viewpoint of maintaining a regular pace of finished product manufacture and of the entire production activity, vertical development within the enterprise would represent greater security than external cooperation, which has many latent uncertainties. As a manifestation of this belief, the large enterprises sought quite generally to create their own basic industry within their own establishment through mergers with smaller, chiefly council, enterprises and by taking over certain provincial plants and factory units.

The "mother enterprises" generally regard such mergers as unambiguously advantageous even if the reorganization and the change of profile (and the training that goes with it) brings on substantial cost increases. As a consequence of a development which adjusts to the production goals of the large enterprises, unfavorable effects frequently are evident, however, in the national economic perspective. The "mother enterprises" tried to free themselves as soon as possible from the profiles that were strange to them; and moreover, such "small operations" within the big enterprises equipped themselves less to serve the other external enterprises belonging to the profile than did the independent small enterprises. It was also a frequent consequence, moreover, that the merged units gradually gave up their former cooperation relations (of a basic industry character) which extended in other directions.

The inadequate state of development in the basic industry is also evident in the fact that the enterprises producing final products can only partially have their necessary, auxiliary work phase (which solve narrow capacity problems) solved by steady partners, or to obtain from them their parts and components.

As a result of the organizational changes discussed above the number of specialized basic industry enterprises is relatively small, and the majority does not represent a satisfactory ratio in the production of certain products or in the provision of certain activities. Therefore, an increasingly greater role is being played by incidental cooperation contracts, generally for a given order or for a certain period of time, usually one year. Among those who undertake incidental jobs, we can very frequently find the auxiliary shop branches of agricultural cooperatives, and in recent times the number of artisan outworkers has been on the increase. But a low level of technical preparedness is characteristic of many of these basic industry units, and thus they are for the most part capable only of producing the most simple parts and performing the less complicated and means-intensive technological operations.

The main features of the system of supply contracts, or their practical realization, also have a substantial effect on the shortcomings of the cooperation relations. The lack of balance in the relations between the partners is very frequent, and the principle of "equal partner rights" is realized only in a limited way. In the relationship of supply and demand, generally those who offer services have the advantage, and are frequently in a monopoly situation. As a consequence of the undeveloped state of the basic industry and the narrow capacity of certain technological phases, those who use cooperation forms are frequently obliged to accept the conditions dictated by the suppliers. In the deadline and the pace of the deliveries that have been undertaken, in the quantity and quality characteristic of the task fulfillment, and in prices it is the supply side of the cooperation rather than demand which has the advantage for greater opportunities to choose among partners. The advantage of the suppliers is also expressed by the fact that in the case of a contract violation the customers frequently refrain--or are compelled to refrain--from implementing demands or sanctions provided for by statutory provisions.

Several features of the general managing environment also contributed to the worsening of problems related to the basic industries. All in all, the economic regulator system which has been in effect for the past decade proceeded from big enterprise conditions, and its requirements also spurred the small operations to appear directly on the market (through export incentive, the categorization of enterprises, and so forth). The finished product outlook was realized with great strength in production and was fostered over a long period of time by domestic consumer demands and socialist export possibilities. Finally, all these things stimulated the managing organs not toward work distribution and specialization but rather toward independent commodity production.

The Problems of International Work Distribution

The domestic problems of the basic industries lead us to the questions of international work distribution. There are, to be sure, approaches according to which the problems in this area basically--exclusively, as it were--are related to an autarkic character and to an inadequate participation in international work distribution. According to this approach, the key to the solution is latent in placing a significant part of the basic industry tasks outside the borders of the country (or in participating more intensively in the international trade in parts, components and semi-finished products.

The correctness of this viewpoint is supported in good part by international experiences. The statistical data for world trade, for example, shows that foreign trade in parts and components is growing more rapidly than that of finished products, which reflects the "internationalization" of basic industries. It is generally characteristic of the developed countries that with their dynamically increasing parts import they are at the same time considerably expanding the export of these products. In the 1970's, Hungary also approached the world trend in the import area--at least in respect to the development pace of parts and finished products as related to each other--but in export there is still a significant gap as compared to the more developed countries. The data for foreign trade with the capitalist countries best show the inadequate state of development of the domestic basic industries: given a relatively important degree of imports, the ratio of our exportable production, particularly among parts, has reached only a much lower level. (See Table 3)

Table 3

The Development of Foreign Trade in Parts and Semifinished Products in the 1970's

Designation	1979 trade in percentage of 1970	1970	1979
		trade in percentage of import or export by trade relation	
		Imports	
From socialist countries			
parts	366	6,1	7,9
semifinished products	212	16,6	13,2
From nonsocialist countries			
parts	539	5,0	10,1
semifinished products	269	33,4	33,2
		Exports	
To socialist countries			
parts	316	8,3	9,0
semifinished products	303	10,8	12,0
To nonsocialist countries			
parts	459	1,5	2,7
semifinished products	301	22,2	26,6

According to international experiences, the smaller countries can hold their own in the constantly sharpening world market competition if they develop their domestic manufacture by specializing in well-selected areas, and in relation therewith they seek to exploit the advantages (or the comparative advantages) latent in import by acquiring the specialized products (frequently parts and components) of other countries. In the following, I shall examine whether our participation thus far in international work distribution has meant, and to what degree, some easement of the problems of the domestic basic industries.

The expansion of international production cooperation in our country began in the second half of the 1960's, and an important upswing tool place in this area in the 1970's. The increase in cooperation projects was helped by the fact that the search by our enterprises for the way toward international cooperation met with similar attempts by the enterprises of socialist and capitalist countries.

As is well known, international cooperation among the socialist countries started to develop largely with central guidance in the 1960's. The loose system of this cooperation (specialization)--chiefly in the machine and chemical industries--did not in the beginning realize effectively enough the advantages of cooperation, but essentially formed the basis of the closer inter-enterprise relations that were to develop later. In the world economic environment of the 1970's, to be sure, more and more socialist countries (and enterprises) recognized the advantages and the necessity of permanent production cooperation projects.

Through international cooperation projects the capitalist enterprises are striving, above all, to gain new markets. In order to enter the Hungarian and therewith the CEMA markets on a broader scale, the capitalist firms have also sought for the possibilities of building cooperation relations. Frequently to dampen partially the effects of inflation and bridge their manpower problems, which are related mainly to high wage levels, they also regarded it as suitable to conduct production cooperation with the socialist countries.

The intentions of the Hungarian enterprises to enter on international production cooperation can be ascribed to various causes, incentives, or goals. In most of the enterprises, the questions of the basic industries also played a role in some form in the development of their international relations, although it appears that directly this was not the most decisive reason for establishing cooperation projects.

The directly most general driving force for developing cooperation projects with foreign enterprises can be indicated in enterprise efforts directed at increasing exports. This enterprise goal was in effect also a response to the expectations of the national economy, for one of the cardinal points of our economic policy in the past decade has been the dynamic development of export--particularly exports in nonruble trade. The variations of the economic regulators, as developed further, and the credit system always sought to give incentive to a more rapid growth of capitalist export and to the intensification of profitability.

From another aspect, the search for foreign ties is related to the emphasis on the requirement for developing a more profitable production and export structure. In order to develop the product structure more rapidly, an increasingly greater share of the enterprises set as their goal directly to gain and adopt foreign experience and results. The enterprises concerned saw the most effective way of doing this as developing direct relations among producers.

With the establishment of international cooperation projects, the enterprises regarded it as possible to develop more rapidly both their production technologies and the technical level of their products. In effect, the intention of the enterprises to increase through cooperation the mass nature of their production and to improve the level of productivity and organization belongs to this sphere of questions. All these goals, however, directed at taking over technical and organizational information form a system of means for intensifying export capability indirectly in the final analysis

There are two main types of international production cooperation projects depending on which of the participants is to manufacture the basic industry products. In one type, the domestic producers of final products enter into a cooperation relation with foreign partners to fill their parts and components needs; and in the other type the production cooperation is directed toward the manufacture of basic industry products at Hungarian enterprises. (In several transactions, both of the contractual parties supply parts and components, and in such cases one party supplies a certain type of finished goods and the other party another type.)

The enterprises which produce final products are most keenly aware of the difficulties deriving from the undeveloped state of the domestic basic industries in their limited export possibilities to capitalist countries and in their lag in respect to the products of competitive firms. Parts and components made by domestic producers which are not of adequate quality and/or are delivered after deadlines frequently end up in the frustration of promising business possibilities, or because of repeated foreign claims for shortcomings in the basic industry products, markets once regarded as permanent may be lost. In response to these factors, the attention of our producer enterprises is directed more and more to a search for foreign production type of arrangements. Plants which produce final products achieve this mostly in that they purchase from their capitalist partners, in the framework of cooperation agreements, the parts and components which determine the quality and technical performance of modern, competitive products manufactured on the basis of a license. Our enterprises are frequently also compelled to do this because in their intention to sell on capitalist markets the buyers insist on final product equipped with parts and main components of capitalist firms that have the greatest reputation.

The machine industry enterprises participate in relatively significant numbers in cooperation projects where the domestic enterprise, sometimes on the basis of adopting manufacturing procedures and accompanying producer equipment, manufactures parts and components that are to be built into the final product made by the foreign partner.

The two types of international cooperation based on the distribution of the production of basic industry products are characteristically linked to the relational distribution of the cooperation. Those cooperation forms where the Hungarian enterprises manufacture the basic industry products that are built into the final product by the foreign partner are characteristic of cooperation projects with socialist countries. In transactions arranged with capitalist firms, on the other hand, emphasis is placed on those cooperation projects in which our enterprises perform chiefly fitting activities by using the parts and components that have been purchased abroad. The use of basic industry products manufactured by Hungarian enterprises for the final products of capitalist firms is relatively small:

such cooperation production by machine industry enterprises makes up less than one-third of these relations.

It is characteristic of a great share of the international cooperation relations extending to basic industry products, particularly of the two types already discussed, that the advantages deriving in practice from work distribution ease only the direct problems of a given enterprise (or some of them), and they contribute only rarely to the general development or stimulation of the domestic basic industries. With this form of international production work distribution, mainly the second of the two types mentioned, we should in principle arrive at such an extent of development results as would make it possible both to meet domestic needs and to exploit export possibilities to the maximum. In this way, such specialization processes could also take place among basic industry products as a result of which the additional foreign exchange revenue attainable with the large serial manufacture and the export of certain products would assure the foreign exchange cover for the increasing import of other products and parts.

In the international cooperation of enterprises dealing with the manufacture of basic industry products, there are only few cases in evidence where cooperation production would fulfill both domestic demands and assure an export commodity base. It is characteristic in socialist relations that the fulfillment of international obligations determines the whole cooperation. However, if the parts and products in the framework of a cooperation project are of such a technical level that they can also be placed on capitalist markets, the enterprises also seed to exploit this opportunity.

The data on cooperation production and export by machine industry enterprises point clearly to the existence of the above-mentioned problem. The cooperation production of machine industry enterprises expanded dynamically in the 1970's: the ratio of products manufactured in cooperation as compared to total sub-branch production rose from 0.5 percent in 1970 to 7.1 percent in 1979. Within cooperation production, the manufacture of parts and components also rose more rapidly than average. But only a very small share of the products and parts manufactured on the basis of cooperation contracts as for the further use of domestic enterprises; the interested enterprises supplied by far the most of these abroad, primarily to socialist countries.

Table 4

International Cooperation Production and Export
of Machine Industry Enterprises in 1979

	Production		Export	
Designation	million forints	in percentage of 1975	million forints	in percentage of 1975
Parts, components	8255	283	7749	310
Final products	4826	239	4190	240
Total	13081	265	11939	281

The contract work cooperation projects of the light industry have characteristic features from the viewpoint of the relation to the basic industry products of international work distribution. In these transactions, the basic industry problems do not appear independently as the causes that evoke or promote cooperation projects. Contracts for the manufacture of finished goods (ready made clothing, shoes) also generally include provisions that in addition to the basic materials delivered for processing work, the partner enterprises will also provide the Hungarian factories with various accessory materials (linings, buttons, buckles, and so forth) and with other subsidiary materials (glue, chemicals, and so forth). These basic industry-type products frequently make up 10 to 20 percent, or even more, of the value of the total materials received from abroad.

From the viewpoint of basic industry products the contractual relations assure essentially a comfortable position for the participating Hungarian enterprises in that these arrangements release them from some of the problems related to the purchase of many different kinds of small items in appropriate range of selection and quality. Looking at the problem from another aspect, we can observe in this sub-branch as well indications that the partner enterprises, as well as other capitalis buyers, cling to the use of accessory and subsidiary materials from the capitalist markets which better meet the demands of style and are a good quality.

Despite the significant development of the past decade, our enterprises are still not exploiting by far the possibilities of international production cooperation. We need additional efforts in the future to increase the scope of production cooperation and its importance. In this connection, however, the question rises of how to judge the increasing capitalist imports. For the sake of our economic development and our foreign trade equilibrium situation, we cannot make it our primary goal to reduce imports from capitalist countries to as low a level as possible (which appears as an important point of view and a general national economic expectation after the signing of most cooperation transactions and in most enterprise relations). It is a more important task that along with the increasing imports that accompany cooperation projects we reach a still higher grade of development in the field of exports, at least at the national economic level. That is, we must assure adequate additional export from the expanding production cooperation along with a rapid increase of volume in total trade. Efforts directed at trying to find substitutes for imports also cause problems in various respects since:

--on one hand, the capitalist buyers, as I have already mentioned, frequently set as a condition for our increased exports the inclusion into the final product which we are to deliver the parts and components of reliable quality manufactured by capitalist firms;
--on the other hand, if we do not have a domestic (or an appropriate supply source from socialist trade relations) basic industry, we have nothing with which to replace capitalist imports;
--finally, even if we can find a domestic or socialist manufacturer, or if the domestic basic industry can be developed, the price problems still cause difficulties; good quality parts and components produced domestically are much more expensive than dollar-account imports; and in socialist trade such parts can be obtained, to an increasing degree, only in return for hard currency.

The easement or the solution of our basic industries' problems is a manifold task. In the interest of more efficient development and a more rapid pace of modernization of the production and export structure, we need to devote attention in this field to the following:

--In the practical implementation of a selective industrial development policy, the coordination of a given area designated for development (manufacturing branch, product family) and certain verticals is of particular importance. A technical lag in basic industry products or their slow adaptation will qualitatively hold back the manufacture of products that are otherwise modern. The difficulties of domestic manufacture, if they are unprofitable, should cause us to devote greater attention to discovering the necessary import background and assure the possibilities for imports.

--Also in the case of final product development and structural modification started at the initiative of an enterprise, it is necessary to have better coordination: on one hand, it is indispensable to consider the more important possibilities of outworker cooperation partners (if necessary, their more intensive support); and on the other hand, the outworkers themselves should follow with greater attention, and participate in, the ideas of the "mother enterprises."

--We must strive for further substantial progress in the field of international work distribution. With the development of the technical level of production, we should also emphasize the intensification of the exportability of basic-industry type products and activities (for example, we need to realize these views fully in implementing the development of the electronic parts manufacturing industry, which has been raised to the level of a special program).

--In respect to the more general type of basic industry products (machine building elements, binding elements, electrical fittings, metallurgical materials, and so forth) the stockpiling enterprises should fulfill more efficiently the supply role which was originally assigned to them. (To be sure, the material and parts supply by small and medium-size plants is, because of their small nature, worse than that of large enterprises.)

--In the implementation of legally provided for sanctions in the contractual relations of enterprises, we should seek a stricter observance of the contracts and a generally more even pace of deliveries.

--With the expansion of the network of small and medium-size plants we should strengthen the scope of base enterprises in the basic industries through more efficient development. (This does not exclude the possibility that we can promote also at the big enterprises, by the use of economic regulators, the development and strengthing of an interest in certain basic industry activities.)

--We should devote greater attention to the production of basic industry products, the coordination of certain activities, a more concentrated survey of free capacities and their reclamation, and the promotion of the extension of new-type cooperation forms (associations) among enterprises.

Proceeding from the complexity of the subject area under study, and the present situation, we cannot leave out of account the fact that the success of every indiviual measure depends on the actual development of supply and demand, and on the situation of the customers and the suppliers.

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HIGH EFFICIENCY OF LABOR AND FULL EMPLOYMENT SHOULD CO-EXIST

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[Article by Laszlo Pongracz, candidate in economics and department head in the Ministry of Labor: "The Conditions for Full and Efficient Employment"]

[Text] In harmony with the economic-political goals of the Sixth Five-Year Plan, there are two requirements in the employment policy. While maintaining full employment, we must raise the efficiency of employment to a substantially higher level than heretofore. In fact, these are not new requirements. No matter how far we look back in the history of the building of socialism, it was always a basic goal of ours to realize and maintain full employment. The intensification of work productivity or the even more complex goal of improving work productivity has always belonged among the most important elements of medium or short-term plans, or even of the more complex goal of improving work efficiency.

The question rightfully rises why recently we have emphasized these requirements even when we are actually thinking of demands that were conceived a long time ago. This is not because up to this very time we have not succeeded in meeting these requirements or in attaining any progress toward their fulfillment. It is well known that we succeeded in realizing full employment a long time ago in the sense that everyone looking for work and desiring work was able to obtain employment, that is, the right to work became a reality. If we review the development of the past decades, we can see that we have also achieved considerable progress in increasing employment efficiency.

Our emphasis on these two requirements is related to the fact that, as is well known, the conditions of our economic growth have changed and world market requirements have become intensified. Therefore, we need more than ever before to work efficiently. Without doing this, we cannot master those difficulties which have come about because of the changed conditions of our economic development. We can achieve a dynamic growth in efficiency only by improving the equilibrium situation of the economy, and above all this calls for the more efficient use of manpower and of employment, the most important producer resource.

Full employment has been realized to the extent that we can provide work for everyone. But we have not arrived at fully using the manpower available to us in the sense of having adequately developed the capabilities of people. Thus in a certain sense, full employment also means a more efficient employment that heretofore.

An accompaniment of a dynamic increase in efficiency is that we should produce the same volume of goods with the use of less live labor than previously. In the present phase of our development, the possibilities are more moderate for increasing the volume of production because of many well-known reasons. Therefore, the manpower being realized through more efficient employment can only partly be used in such a way that we will increase the volume of created products. We must create appropriate conditions for the use of live labor sources in greater ratio than up to now and through the improvement of quality factors.

It is not accidental that the question has risen in the public mind as well as among economic experts whether the conditions are assured for efficient employment of the manpower being released, whether we can maintain full employment in the earlier sense, or whether we must reckon with the fact that for the time being a part of the manpower available to us must remain unused.

Despite the more moderate industrial production growth in the Sixth Five-Year Plan period, we must see to it that the increase in work productivity does not decelerate considerably. This inevitably means that in respect to the ratios in industry, more personnel will be released than up to now. On the other hand, the development of transportation and communications, trade and the health and cultural branches as well as other nonproducer areas requires additional manpower. Over the medium-term plan period, our available manpower will decline primarily for demographic reasons. In addition to a decline of 50,000 persons in the working age population, we have to count on the fact that the number of pensioners who will continue working after entitlement will decline. Although the number of workers returning from childcare leave exceeds by about 30,000 the number of those newly taking advantage of gyes [childcare benefits], we must in the end count on the fact that the number of active wage earners will be about 30,000 to 35,000 less than in the Fifth Five-Year Plan. From all this it can be established with certainty that even with substantially more efficient employment of the workers in the producer branches, the overall equilibrium will be assured, manpower demand and manpower supply will be in harmoney with each other in the country. Even in the case of an important efficiency increase, our concern should be that the manpower demand will exceed the supply, and not vice versa.

Even with the overall equilibrium, it cannot be excluded that there may be placement difficulties in certain areas while in others manpower shortages will persist.

It is well known that in the various geographical areas of the country, considerable variances in the manpower situation are evident. In the strongly industrialized regions, factors and signs indicating a manpower shortage are more fully in evidence than in the less industrialized, primarily agricultural megyes. In recent years, symptoms of an excess demand have been characteristic even though more moderately than before. In industrial, construction industrial, and agricultural activity, the increase in efficiency has been taking place amid great differentiation. In certain areas we can count on the release of relatively more manpower and in others less. The increasing manpower demand of the tertiary sphere is also uneven in various areas of the country. Therefore, it may occur that manpower demands will not appear in large numbers where the ratio of released manpower is the greatest. While excess demand will continue in most areas of the country, in other areas oversupply may also occur.

The manpower needs of the various occupations and trades is also changing in a differentiated way. Therefore, even in those areas where an overall equilibrium has been established or the amount of the manpower requirement exceeds the manpower supply, it may happen that surpluses will arise in certain trades and occupations, while in others shortages will continue. For this reason the structure of the manpower demands will vary from the trade composition of the cover. Either area differences or structural incongruence may bring about situations in which, if we do not act appropriately, temporary placement difficulties may occur. The solution of the tensions and the area and structural harmonization of the cover calls for a substantially more active employment policy and a more circumspect manpower management than heretofore. Thus the conditions for the simultaneous realization of full and efficient employment are not given, but they can be created if all those organizations which have a role therein attend to the tasks which have developed on them.

It is not permissible to wait until the problems appear and only then begin to deal with the methods for their solution when actual problems have emerged. To be sure, in this case we can find the solution only with delay, for the ncessary measures require time. We must anticipate the expected tensions, take care that they do not develop, and see to it that the appropriate method is available at the moment of need for the solution of every problem that can be foreseen.

Before discussing in detail the conditions for meeting the two requirements, I regard it as necessary to set forth several basic principles.

The primary task of the economic organizations--enterprises and cooperatives, and institutions which deal with special tasks in social work distribution--is the increase of employment efficiency, and only occasionally can they have a role in assuring full employment. They cooperate and participate in the creation of those conditions which serve the realization of the latter, but it cannot be expected directly that enterprises should ignore the efficiency requirement and create work opportunities and establish work places to solve placement problems.

As a task, the creation of the conditions of full employment falls on the entire society, but obviously the intensification of efficiency also belongs among social tasks. This is not, however, an adequalty clear formulation. When we say that it is an overall social task, we are actually indicating that it is a state and government task, that is, the creation of conditions which assure full employment is not the task of the economic organizations but of the functional sub-branch and area organizations.

Another essential principle is the following: We cannot regard the realization and maintenance of full employment as exclusively the task of employment policy. The creation of work opportunities and the establishment of new work places is related with development policy, with investment activity, and through this with credit policy, area development, and so forth. Nor can the condition system of a full employment policy do without the collaboration of the enterprises. In reviewing all these things, we arrive at seeing that efforts to [at] create[ing] full employment conditions must be implemented in the economic policy as a whole. And this requires close cooperation among the organs that carry out various functions of economic management.

In implementing their personnel reduction ideas, the enterprises and institutions must reckon, beginning in 1981, with conditions different from those of last year. A great part of the personnel reduction in 1980 in industry and the construction industry was carried out by not hiring replacements for workers who left for various reasons, or by replacing only in part those who went on pension or on child-care leave. In 1980, the placement conditions for those who changed their place of work at enterprise initiative were different from what they will be in 1981 and in the following years. The economic organizations and the institutions were still struggling with manpower shortages over a broad scale, and therefore it was relatively easy to find a place of work where there was no[t] need for supplementing earlier training, for retraining or continuation training, or for learning a new trade. It also did not occur often that the dismissed worker would have to take a job farther from his home, or in another settlement.

The conditions will change considerably this year and in the following years. In all likelihood, the enterprises cannot refrain from replacing workers who depart for demographic reasons or at individual initiative, for after a certain period of time the possibilities for replacing the departed workers through internal regrouping become limited. It derives from this, however, that when an enterprise is constrained to carry out a reduction in force in response to the economic environment or economic regulators, only a small ratio of the necessary reduction can be carried out with the methods used in earlier practice. Thus there will be greater need for the employer agency at its own initiative to terminate the work relation. But a reduction in force carried out by such a method calls for a basically different enterprise behavior and preparation than heretofore. It becomes necessary for the enterprise to release and make dispensable the force to be reduced through conscious organizational measures.

When the worker leaves at his own initiative, he almost always knows where he wants a job and whether they will hire him at the place he wants. Following the termination of the work relation for retirement or military service, the individual has no placement problems. If informed too late of the intent to quit, the enterprise may suffer inconveniences or difficulties. But it is not important to the individual how much of a notice he gives prior to his departure.

In cases where the enterprise initiates a change of work place, it is not a matter of indifference to the individual when he is informed of the decision, and all those organizations which have tasks to carry out in the planned transfer of manpower also have an important interest in being informed in adequate time for the placement of workers with the help of the former employer or the placement of those who are not able to find jobs for themselves.

Presumably, the economic regulators impel the enterprises more strongly toward increasing their work efficiency and, in relation thereto, in freeing themselves from surplus personnel. Therefore, it can also be rightfully assumed that reductions in force occur more often than formerly even apart from the above discussed reasons.

As I have already indicated, the manpower hiring capability and readiness of economic organizations was still significant. In all likelihood, this readiness will not decrease considerably, but problems deriving from the difference between the structure of manpower demand and supply will arise more often and more sharply than before. Therefore, I can state with certainty that the compulsion toward retraining and continuation training is being strengthened.

Considering all these things, it is advisable to start as soon as possible with activity designed to discover manpower surpluses, to reduce the [personnel] force, and to program transfers.

The enterprises must also reckon with the fact that new [drawing] effects are appearing in the economy. While the compulsion toward reducing surpluses is growing, they must also reckon with the fact that the differentiation possibilities in wage and earnings increases is creating significant shifts in personal incomes that can be gained in the various economic units. The drawing power of greater incomes can also prompt a change of work place in the case of workers about whom there was formerly no concern, and whose stability is regarded as very important by the enterprise.

In the area of physical and nonphysical work alike, it may happen that some of the most skilled workers will be attracted by the dynamically developing small producer and auxiliary activity which, although at greater risk, will make it possible to gain greater income than has been formerly the case with the large state and cooperative operations.

One of the essential conditions of efficient employment is that appropriately skilled workers should be available for carrying out the tasks. Taking these prospects into account, greater attention then heretofore must be devoted to see that the skilled workers in key posts should find their expectations met at their present place of work and receive appropriate material and moral rewards, for without these things their retention and stability cannot be assured. From another point of view one must also reckon with the fact that workers leave jobs in this area as well and therefore well-founded thinking should be applied to assuring proper recruitment conditions and seeing that departures from this area do not cause bottlenecks in the activity of the economic organization or the institution.

The development of small producer and auxiliary activity and of consumer services plays a role not only from the viewpoint of employment efficiency but can also promote the rational employment of manpower being released in other areas. Even if, as measured by the standards we use, it does not appear as economic and profitable as that of many large enterprises, the expansion of this activity at the economic level can contribute to increasing the efficiency of economic work and meeting such population needs as were formerly left uncared for because of the lack of small economic organizations which could adjust flexibly to demands. It must also be considered that sharper competition will develop for manpower that is qualified to do efficient work.

To increase employment efficiency, it is necessary to have changes in the outlook of managers and in their attitude toward manpower questions. But a modification of incentive is indispensable for the changes. I would like to emphasize that I am not thinking only of material incentive but of moral as well. I do not regard it as right to demand of the managers an attitude that is at odds with their personal and material interests. A manager cannot really be blamed for not carrying out actions appropriate to certain national economic interests if it would harm him from the viewpoint of his personal and material interests. This does not mean, however, that we should absolve managers from responsibility for realizing national economic interest when the necessary steps would not have brought them into a disadvantageous material situation, and spectacular material advantages would not have resulted either. The well-prepared manager must know what economic rationality requires and when. If he knows this and still does not act because, as they say, it is not in his interest, or to put it more exactly it is not accompanied by material advantages for himself, he must be condemned. Every single act cannot be assisted toward implementation by separate instances of material incentive. In such cases, the carrying out of the justified measures must be regarded as a moral requirement. I repeat, all this is true if one is not required to act against his own material interests.

It is frequently charged nowadays that personnel surpluses are not reduced because the manager or the collective does not have an interest in carrying it out. In such cases, what is actually being said? Simply this: At enterprises where they use the wage-bill control system, wages saved from personnel reduction can be used to raise the wages of those remaining only to a certain extent in the given year and without payment effected from the share fund. In making exceptions, two objections have emerged:

It is said that a change in the personnel composition removes a part of the amount that can be used for raising the wage level, and therefore only a part of the possible 3 percent rise in the wage level can be used for actual wage increases. In such cases, it can be said, but it should also be verified, that the material incentive is not strong enough for implementing the measure, but in no way can it be maintained that in the mentioned case a reduction in force is at odds with the interests of the manager or the collective, because it is possible to grant a greater wage increase than would have been the case without the measure.

The other objection takes exception to the fact that above 3 percent the wages that were saved can be used only in the following year for wage increases, or if the enterprise wishes to use it in the given year, it must make payments from the share fund according to a progressive index. In this connection I shall mention two matters:

-The unused wage savings and the wage charge that pertains thereto comes out as a profit. A tax must be paid on this, and only a part remains at the enterprise, but according to the general rules it can also be used to form a share fund. It is true that in such cases only a relatively small portion of the saved wages appears as personal income, but in any case it represents a surplus. In this case, too, the assertion is without foundation that a reduction in force of more than 3 percent is at odds with enterprise interest, if otherwise it represents the dismissal of actually surplus personnel.

-In the following year, the saved wages can again be used up to 3 percent for a wage raise, and thus the enterprise is not in a disadvantageous situation as consequence of a rational measure.

I have discussed all this because I wanted to call attention to the fact that economic regulation, including wage regulation, will never be able to give incentive, case by case, to the fulfillment of every task the manager is accountable for. There will always be need to supplement it by such managerial decisions as are justified purely by economic rationality and to which no direct material advantage is linked or which appears transposed somewhere else, and not in the personal income of the manager or in wage increase possibilities.

The following also pertains to this outlook: It is frequently said that the reduction in force of those paid low wages puts the enterprise in a disadvantegeous position because it evokes a technical wage-level increase. This is true. Interestingly, however, they never bring it up that the exchange which takes place with the departure of pensioners and the entry of those starting their careers brings about a technical wage level reduction. But everyone is well aware that the wage level of those going on pension is substantially higher than that of those starting out. This question is of particular importance now when the number of those going on pension is higher than the number of those going to work for the first time. This exchange results nationally every year in a more than 1 percent wage level reduction. I can hear the objection: "This is, generally speaking, true, but people do not leave on pension from all enterprises, at least not every year, and it is not true in every case that the balance in this exchange is considerable." The objection is justified because in fact there may be significant differences among the enterprises from this point of view. By raising the matter of the interrelationship, it was merely my purpose to point out that it would be worth while to look at this when the enterprises are expending energy to demonstrate a technical wage-level increase which derives from a change in personnel composition. I am certain that at most of the enterprises with several thousand workers, and at all of them with more than 10,000 workers the effect of this two-way process evens itself out, and therefore it is not worthwhile to seek an excuse for neglecting rational personnel management in a composition change.

The combined realization of full and efficient employment requires a substantially better established organization and a planned management of human work. If there is no guide to the management of manpower and if manpower management is shaped by the ideas that are conceived to solve problems as they may arise, we cannot count on fulfilling both requirements. Consciousness and planning are indispensable conditions for their fulfillment.

Manpower seeking for jobs amid conditions of reduction in employment and more moderate manpower demand will find its place in a short time only with adequate information regarding the kind of workers that are needed, and where and when. The employers, too, have an interest in receiving support to meet their manpower needs. Therefore, we had to make the system of mediating manpower suitable to making adequate information available to both the employers and the employees regarding jobs or the search for manpower. As is known, the organs for providing this service are operating in the council organization. But they can perform their tasks well only if they are informed in adequate time of the employers' hiring intentions, or more exactly of their thinking on reduction in force and hiring. These organs must know what composition of manpower will be released and when and where, and similar information is needed about the employers' manpower demands. This information service can, to a large extent, promote the mobility of manpower, and its flow in a direction appropriate to the interests of the economy, provided those concerned make the necessary information available.

But the economic organizations and the institutions can make such information available only if, by relying on production policy ideas, they are in the possession of a detailed manpower requirement plan, if they clearly perceive what ratio of the manpower they have obligated is indispensable, and if they have an appropriate plan as to how and at what pace to carry out the reduction of superfluous personnel.

If information based on enterprise plans reaches the appropriate area and labor-administrative organs in time, programs can be started which are suitable to reduce the time between [the] reduction and [the] rehiring and to assure that everyone will find the most appropriate work area, thereby moderating the divergence between the work place structure and the trade structure. Full employment requires a broader and more goal-oriented retraining and continuation practice than heretofore. It would be well to put an end to the transmittal of superfluous and in practice unusable information aimed at retraining and continuation training forms. Greater attention should be devoted to returning those with specialized skills who are presently working in areas outside their specialities to their own line of work; moreover, retraining and continuation training should be made available only when the trade composition and the manpower flow varies from the structure of the demands, and even in such cases the training should be directed at bridging the difference between the two, at providing such information to the interested parties as is necessary for better performance or for filling job areas different from the earlier one.

The appropriate administrative organs of the councils must also play a role in solving placement problems deriving from structural incongruence. Adequate continuation training possibilities must be provided those economic units which are themselves unable to take care of their retraining and continuation training tasks. Training forms suitable to meeting demands must be organized, and thus in a certain respect tasks at variance with practice up to now must be carried out. I emphasize that the enterprise which needs manpower and will subsequently do the employing must bear the material costs deriving from retraining and continuation training. It would appear advisable for the council organs to provide advance cover for the costs related to training at least until the receiving enterprise will be capable of bearing the costs itself, and the cover will be provided.

As I have indicated in the foregoing, we can count, in harmony with our economic political goals, on several such processes as will expand manpower demand. In addition to the supplementary activities of large agricultural operations, the increasing manpower demand which has arisen with the establishment of small enterprises and small cooperatives is also important from the viewpoint of employment policy, but these also seem suitable for the efficient employment of manpower that is being released, for the organized use of work in the workers' free time, and for the establishment of economic work teams as well as cooperative and enterprise trade groups. We can also count on the continuation of the process begun last year as a consequence of which the number of employees increased in the small industry, retail and private sector.

The placement of manpower being released in industry and the construction industry is also promoted by the fact that the manpower supply is being moderated in certain classes of the population. As a consequence of limiting employment of pensioners on manual labor jobs and the moderation of incentives for working after retirement, it has become possible to hire people of working age to do the tasks formerly performed by pensioners.

Despite the above-named processes and effects, temporary placement problems may arise in certain [limited] areas which can be solved only by creating new work opportunities in a given area and establishing new work places in greater number than could be manned by available manpower sources. When placement problems appear, we must carefully weigh whether these are temporary or permanent and whether the new economic unit for creating new job opportunities will also have available manpower over the long run. It is [probably] advisable that we should use only such employment forms as will permit [the] manpower, in case of need, to leave for other, more efficient areas, or if the new facility must be closed for lack of manpower, this will not be accompanied by significant material loss.

In case of a dynamic growth of efficiency, more manpower than assumed may be released, but this may also come about if there is only the possibility for slower development than the moderate economic growth called for in the plan. Warding off the problems deriving therefrom requires in any event additional outlays and material means. It may become necessary to transfer some of the manpower to another area, and to carry out the consequences thereof in housing construction.

As compared to earlier years, we must also reckon with the following change: While in certain areas, perhaps in most areas, excess demand will continue, there will be an excess supply in some, primarily agricultural areas. This can cause placement problems chiefly in categories that are more difficult to mobilize. In such cases, we must be prepared to make concessions in temporary and limited areas of efficiency requirement and by the use of rebates and supports make the employers amenable to employing those who otherwise cannot find a job. In a limited area, we must also count on granting social assistance to those who are without work.

In conclusion, I would like to emphasize that a system of unemployment assistance does not square with full employment requirements. Therefore, in no way do we want to overcome the tensions that may arise by means of unemployment assistance. Amid our economic problems, we cannot give up the activities of people who are capable of efficient work and who want to work. But the narrowly interpreted labor and employment policy means and methods are not adequate to this end. In maintaining full employment and in creating the necessary conditions thereto, our entire economic policy must collaborate, including the enterprises cooperating in the realization of economic policy and which can contribute to the creation of the necessary material conditions precisely by increasing employment efficiency.

6691
CSO: 2500/21

MACHINE TOOL EXPORTS, DOMESTIC PROBLEMS VIEWED

Budapest HETI VILAGGAZDASAG in Hungarian 26 Sep 81 pp 34, 36

[Article by Gyorgy Heimer: "Machine Tool Export: A Market Waiting To Be Worked On"]

[Text] "We have moved out of the side streets into Kartnerstrasse." This is how one of the managers of the industry branch characterized the transformation of the Hungarian machine tool export trade. But a more modern product structure is only one side of the coin; there is still a considerable gap between the level of our machine tool products and the production technique.

International and Hungarian machine-tool trade is humming feverishly these days. Representatives of the metal processing trade held meetings with their customers in Hanover between September 15 and 24. This is also the site for the 4th European World Machine Tool Exposition, the EMO. Surpassing all records thus far, 33 countries and 1,800 firms are offering for sale at the large technical exhibit the most varied kinds of automated machines suitable for the most part for drilling, cutting, grinding and shaving tasks.

Together with its industrial partners, the Technoimpex Hungarian Machine Tool Foreign Trade Enterprise is exhibiting its buyer-enticing products in an area of 545 square meters, larger than ever before. In addition to the well-accepted export products of SZIM (Machine Tool Industry Works), CSMSZG (Caspel Machine Tool Industry Works), and DIGEP (Diosgyor Machine Tool Factory) and various kinds of automated machine tools and processing centers, the basic-industry Danuvia hydraulic elements and the computer automated machine tools of the Factory for Electronic Measuring Instruments (EMG) or the Electronic Automation Institute will also be shown.

The undoubtedly spectacular Technoimpex-spectrum shown to the visitors at Hanover obviously does not desire to reflect that the Hungarian machine tool industry is far from fulfilling the strategic role that behooves it. This is how Andras Roth put it in the columns of MUSZAKI ELET: The product structure of the sub-branch is, to be sure, modern, but hardly will its products which emobdy the higher technological level arrive on the domestic market. Nevertheless, in accordance with the expectations for urging capitalist exports as conceived in the economic plan, the Hungarian foreign trade in machine tools wishes to double in the present plan period its nonruble account sales: Between 1981 and 1985 it wants to sell 500 million dollars' worth of machine tools on Western markets--and moreover in the West European and overseas countries with the most developed machine tool technology.

Will the highly ambitious export plan succeed? With its annual production value of about 2 billion forints, the Hungarian machine tool industry has about 1 percent of the world's machine tool manufacture. The lion's share of domestic production belongs to SZIM and CSMSZG, and a smaller share to DIGEP. Of the 1,200 and 1,300 basic types which exist in the world, these enterprises manufacture about 130 types, chiefly drilling, cutting, grinding and lathe machines as well as processing centers, of which the experts say that the types are too few from the viewpoint of domestic supply and far too many from the viewpoint of a profitable serial magnitude. Because of the limited domestic market, 80 percent of the production has for long been going abroad, and the fact is that between 1970 and 1980 total exports doubled and nonruble exports quadrupled.

But now--if such expressions as "the transformation of the product and production structure" or "the renovation of the foreign marketing organization" have not become worn-out slogans--these have [now] become a burning reality for every phase of the reproduction of machine tools from research development through new product-management oriented organization of production to customer service following the sale. What we are talking about is simply this: The market is forcing a transformation of the machine tool industry.

The explanation begins somewhere in the 1960's or the 1970's when electronics invaded metal processing. In its wake, the construction principles and the marketing methods were transformed. Since the advance of the digital control (NC) and the computer (CNC) technique which memorizes the program for the processing procedure, the machines not only save manpower, are not only becoming more productive and more precise but also require better quality in the machine-building magnitudes, basic industry elements, more disciplined assembling, and a deepening of trade knowledge.

And we cannot bide by the old methods in trade either. Formerly, in the time of the trestle lathes it was possible to conduct exports without difficulty by merely sitting in an office in Pest; all the contractor needed to do[w] was send out a prospectus on three or four of the most important parameters of the machine, with a price index and the supply deadlines; if the buyer confirmed these, the transaction was arranged. But it does not go like that anymore. In the era of processing centers which perform various kinds of drilling and cutting in one operation, the seller provides not only a machine but technology. To do this, one must have a thorough familiarity with the consumer's requirements, and since we are speaking of machines of high value, the buyer--beyond the usual buying-selling process--demands fast customer service in addition to various references, trial operations, warranties, and guarantees.

The Hungarian machine tool industry and foreign trade has been able more or less to keep up with the requirements dictated by the world market. The ratio of the NC and CNC machines in export in 1970 was about 20 percent, nowadays it has risen to 45 percent, while by the end of the plan period the ratio will be fully reversed: The progressive or the so-called "low-cost" machines in their proximity are counting on an 80 percent share. "We have moved out of the side streets into Kartnerstrasse" is how Matyas Jakab, the managing director of SZIM, speaks of the transformation. But to get the demanding buyers to enter--he adds--we must fill our salons with ever new portraits like those of the competition because a shining store filled with junk is of interest to no one."

Successful international cooperation projects in the 1970's played an important role in "our parade on main street" and in the fact that our dollar account machine exports rose from 5 million dollars in 1975 to 15 million dollars in 1981. The Hungarian machine tool industry recognized in time that it can close the gap with the front line only if it can develop collaboration through license and know-how purchases from Western machine tool manufacturers of good repute. Under the sign of this commercial policy, SZIM established cooperation relations with the FRG Gildemeister, and CSSZMG with the Austrian Heid firm for the joint manufacture of NC lathes. But a great advance was also made with the signing of recently of a license agreement with the Japanese Yashuda firm. On the basis of this agreement, the Csepel factory will undertake the serial manufacture of the high-precision Yashda YBM-90 NCN processing centers, on the joint development of which the interested parties agreed.

It is hardly necessary to detail at length the beneficial effect of the cooperation projects. The product level of the factories concerned improved by leaps and bounds, the manufacturing techniques eased the otherwise terribly difficult work of market introduction, and made marketing more secure, because the partner firms repurchase a part of the production. Last but not least, it gives us prestige in the eyes of buyers even when products other than those involved in the cooperation are being discussed. All these advantages can be pointed out numerically. In the framework of the cooperation with Gildemeister, for example, we delivered in the past 3 years more than 25 million marks' worth of CNC automated EEN-400 type lathes.

The new outlook stimulated by the modern machines has also penetrated into marketing organization for machine-too foreign trade. Since the sales chain was lengthened with the emphasis on the progressive machine as described above, Technoimpex has no other choice: It must build "points of support" in the heart of the market itself if it wants to remain competitive with famous competition. In the machine industry offices they already refer as a kind of model to the Berma mixed enterprise, in which there is a Hungarian interest and which operates in the FRG. (The Berma apparatus with a force of forty workers is actively engaged in preparation of technical-commercial conditions of businesses, starting up oepration, service, parts supply and continuous links with the customers.) It is due to a marketing organization that breathes, as it were, together with the market that Technoimpex was able to sell on the highly demanding FRG market almost a hundred NC machines between 1975 and 1980, among others to large enterprises like Krupp and Thyssen. The development of a new-type market organization, however, is not an inexpensive game but requires significant outlays both financially and from the viewpoint of the training of specialized personnel. Despite this, Technoimpex has already established Technoital in Italy, the Crotec firm in Mexico, and it would like to implement similar plans in a number of other West European countries and in the United States.

It is a painful fact that despite the international cooperation projects and the large-scale reconstructions, our machine tool manufacturers were unable to follow the renovations in the product structure, and in fact as a consequence of their losses, some of them had to reorganize, and unfortunately this could not even be concealed by the spectacular rise of exports to the capitalist countries. In industrial circles they ascribed the difficulties to a hard to understand, contradictory situation--namely, that economic results did not follow technical development--and to various proceses that were going on at the same time. Among the causes they mentioned chiefly an inflexible, frequently less than understanding leadership, the unforgivable neglect of stricter technological rules, and the lack of interest of the delivery enterprises in the quality rise. It was also a serious blow that about 1,500 workers turned their backs on the machine tool industry exactly when the new manufacturing technique was being introduced. The unfortunate situation was also made worse by the fact that with the manufacture of the NC machines an entirely new, unknown electronic technique entered the machine tool industry. It is characteristic of the Hungarian machine industy's extreme achievement that the developers of the sub-branch with the engineers of Villati and EMG developed automations that in respect to parameters were within a year or two at the world level. The quality of the serial products, however, still does not match the requirements of the demanding capitalist market.

But good quality and a product range that meets buyer demands are a basic requirement, for in addition to the FRG, Italian, French, Swiss, and Austrian markets, Technoimpex chose for the Hungarian machine tools no less a market than the United States. This year the goal is an export in the value of 4 million dollars to the United States; included in the exports are the "low-cost" CNC lathes, the large-scale processing centers, CNC cutting machines, and cog-wheel grinders. If we are successful in "Americanizing" the Hungarian machine tools or meeting the standard there, the trade can be increased further, above all among the manufacturers of equipment for oil production.

All in all,[the] Technoimpex is planning to sell by 1985 no less than a thousand machine tools in the developed capitalist countries. It wishes to find its buyers first of all among the large West European enterprises, because they are the only ones who have a need in large numbers for high-value NC machines and for processing centers; Techoimpex itself does not have enough wind to pursue customers in a scattered market. To realize this market program, industry and foreign trade must work together as smoothly as those processing centers which they intend for the use of buyers who are used to perfection.

6691
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POSITION OF ADVERSELY ENDOWED TSZ'S CLARIFIED

Budapest SZABAD FOLD in Hungarian 13 Sep 81 p 3

[Summary] Many misunderstandings prevail in regard to TSZs [agricultural cooperatives] operating under unfavorable natural circumstances. Included among these is the idea that they are being "kept" at the expense of other sectors of the economy. In Hungary such TSZs number 385, operating on 2 million hectares and employing 130,000 persons. Much is and has been done to assist them because their output is indispensible for helping to meet national demand in general and export commitments in particular.

What should be made clear is that the national budget treats agriculture as a closed entity. This means that when the weak TSZs receive more in the way of support, the budget deducts this from the allowance of prosperous TSZs. Subsidies for weak TSZs amount to 1.5 billion forints annually.

The weak TSZs can surmount their financial difficulties most readily through engaging in supplementary activity. The income they derive from this can be used to buy tractors or other equipment. This leads to a second misunderstanding, namely that such agriculture is a parasite of industry. It is a fact that 40 percent of gross income results from supplementary activity, but the largest factor said activity is the integration of household plots, and this is the least profitable business for the cooperative as a whole. Another substantial part comes from "extension of agricultural production"; that is, activity in the food industry. Profits from this are low, too. Unfortunately, actual industrial activity which is really lucrative amounts to only 10 percent of total income.

The industrial activities of TSZs consist of producing goods not made by state industry because they would bring it no profit, or because work is poorly organized, or because the work was never undertaken at all due to inflexible factory structure.

For example, one weak TSZ makes an industrial item which earns it a net profit of 20 percent. The factory originally scheduled to make it discontinued production because it caused severe losses there.

It is the function of the PPF to change the public attitude toward the weak TSZs and the way the state helps them handle their problems. This sometimes includes sending them specialists for 5 or 10 years until a more satisfactory production structure is set up. At present there is a tendency for the weak TSZs to force those branches of agriculture most heavily subsidized by the state, such as beef cattle raising. They do this regardless of whether or not their special conditions suit them for such an undertaking. This is where the services of specialists can make a great difference. Specialists, understandably, are reluctant to go to weak TSZs but they should derive much personal satisfaction from helping to solve difficult problems through their expertise and efforts.

CSO: 2500/33

BRIEFS

PURCHASE OF SOVIET COMPUTERS--In the future, Hungarian enterprises and cooperatives will purchase many more minicomputers according to a survey of the OSZV (National Computer Technology Enterprise). Since OSZV cannot meet demand from domestic production, the decision has been made to buy Soviet EMS 4 computers over a period of time. Hungarian enterprises have put more than 10 such computers into operation during the past year. OSZV recommends complete program systems for the minicomputers. The Soviet ELORG association is continuing to deliver larger computers to Hungary. To date they have sold over 100 ES 20, 22 and 30's to their Hungarian partners. Recently Hungary received the latest model ES 35. [Text] [Budapest NEPSZABADSAG in Hungarian 24 Sep 81 p 8]

CSO: 2500/32

MINISTER INTERVIEWED ON SOCIO-ECONOMIC MATTERS

Warsaw ZYCIE GOSPODARCZE in Polish 27 Sep 81 pp 1, 4

[Interview with Antoni Rajkiewicz, Minister of Labor, Pay and Social Affairs, by staff writer Anna Kuszko: "Within the Framework of Common Sense;" date and place not specified]

[Text] [Question] Sir, I hope you will not hold it against me if I will refer to a copy of ZYCIE GOSPODARCZE dated mid-1979, and propose a continuation of the then published interview on the subject of the importance of sensible choices of strategy for the social policies of the 1980's. In reality the 2 years that separate the interviews appear so long because so much has changed in our country, in particular within the context of social phenomena, however, the doubts which were then expressed have a contemporary ring. You were speaking then about the necessity of a "step-wise" action, i. e. one step at a time, in accordance with an imposed, multifaceted and confirmed by social opinion program which would shelter us from making decisions under duress of a moment, under pressure of demands which could be unwarranted. That was one year before THE August. Do you believe now that the ministry, whose leadership you have assumed recently, has such a program at its disposal?

[Answer] Only in outline--respective to some questions of labor, remuneration and services we have prepared drafts of solutions. I'm thinking of social minimum, forms of compensation for increased costs of living, postulates of a pension system reform for workers and farmers, reforms of family subsidies, length of the work week, modernization of the labor law, etc.

[Question] But these drafts give an impression as if each had been prepared individually for itself and not as part of an unified action. They consist mainly of summaries, rather mechanical ones at that, of how much each step will cost. I did not find yet a single, honest analysis of social consequences which would bring about, or influence, within the framework of the reform, a reduction in the glaring inequalities between the living standards of different groups and families. These inequalities, in my opinion, are growing larger every day.

[Answer] I'm of the same opinion. I would like to have a few weeks of peace so that I could get a new diagnosis on the situation of family incomes. Only such a diagnosis would permit a continuation of sound judgment policies for the three elements which form the name of the ministry: in employment, remuneration and social affairs. However, in actuality, during the past year there were actions undertaken which have not been fully thought out, which did not keep touch with the reality and were far from the goal for which we strive all--overcoming the crisis.

For example: the employment program. They are, after all, talking about guarantees in connection with reductions and not about the rationalization of work, not about a better utilization of our richest resource--the labor force.

This program was born under a strong pressure of trade union demands and media publicity and took into account only one side of the problem: the relationship between raw-material balances of the nation and the status of employment. Such one-sidedness of the relationships leads to unjustified conclusions. In principle I'm against unemployment.

[Question] As a minister or as a social worker?

[Answer] Well, in reality I do have two identities--that of a minister of the government which makes me regard the total national situation, and that of a social worker which makes me a spokesman for everyday human affairs. But as a minister and a social worker I believe that unemployment, without regard for the whole system of guarantees, is a calamity for every man and a tremendous loss to the country. Especially for a country which is suffering such a painful lack of goods and services but has at this time a declared vacancy of 160 thousand open work spaces. As it pertains to the subject I paid attention in January to the premature, forced shortening of the work week. Also, as a minister and a social worker I am opposed to an overly hasty lowering of the retirement age. It is no doubt because even the most affluent society could not withstand such a burden, after all, in a very short time, our numbers of pensioners and retirees will exceed 5 million. No doubt also because it accelerates the senility processes of the older generation. Is it possible to resign from work and work-related interests at the age of 55?

[Question] Sir, do you take into account the fact that the people in our country, in particular the women, are exceedingly tired of the living conditions, standing in lines, cooking, laundry? They want to break away earlier from these work-related tasks, not because they want to stay idle but because they want to help their children with the difficulties of running a household, of feeding and bringing up the grandchildren.

[Answer] While I agree with the evaluation of the situation I draw different conclusions. People lead hard, and increasingly harder lives, that is a fact. But, will it really become easier if we give extra money to the unemployed, release women from work obligation when they reach 50 years of age or if we give people in their prime of life long furloughs of several months duration so that they can change their occupation? At the same time let us not forget that not too long ago the work week was shortened while at the same time the rest and recreation leaves were extended.

[Question] Will it not be possible to avoid reductions in many branches of the economy and administration?

[Answer] We actually have a shortage of coal and many raw-materials. However, I don't think that there is another country where there is such a careless waste of secondary raw-materials: waste paper, all kinds of packaging materials, metal scraps, wood, etc. Others, much more affluent, make some very useful things out of such rejects but we pile it all up on refuse heaps. It is even worse with the services. We have a shortage of clothing, especially for children, but please ask around if anybody burdens themselves with making over that which uselessly hangs in closets and storage. Sewing machines are standing idle and so do seamstresses because there are no textiles. But it is possible, having both people and machines, to develop service activity on a large scale: cottage industry and handicraft contracts in tailoring remodeling services.

We must, above all, overcome the apathy and resist surrendering to difficulties. We must organize all types of services which will make it easier for the people to accomplish everyday needs, running a house, care of children. There can be many forms of such activity.

I believe that it will be necessary to draw on all social organizations to create occupations which fulfill the need for satisfaction of doing useful work for individuals and society. It appears to me that we ought to form, as soon as possible, regional employment councils.

[Question] Wouldn't plant self-government be more effective?

[Answer] The one and the other are most urgent. I have always been, and I am still an ardent supporter of all forms of self-government in such spirit as was evident in 1956. I also mentioned it during that interview 2 years ago, I referred to it then as a "local positivism." I was interested in limited work, initiative by small groups who knew the best what they were capable of making out of what they had in their territory as well as what it would be worth and to whom.

[Question] And so we pass to the subject of distribution. What can be done, within the framework of common sense, to reduce the pay inequalities, in particular under the conditions of the economic reform?

[Answer] We are stirring up those matters which currently give me greatest distress. The battle for rationalization of the remuneration system appears to me to be more difficult to conduct than the price reform. Everyone is convinced of the necessity of the latter, however, it is another matter with pay. Meanwhile, more so that the difference between prices and costs, we have observed lately the gaps between pay and work and its productivity.

[Question] Were those interconnected prior to this time?

[Answer] It is true that the remuneration systen, respective relations of salaries have not been satisfactory for years, however, in my opinion, they are not worse than they were a year ago. Yet, still conflicts erupt on this subject and still, under the pressure of demands, decisions are made which place us further, not closer, to eliminating unequalities and inter-branch disproportions between positions and the system of salaries and services.

[Question] That means the trade unions are at fault? In August of last year, when you Sir returned from Gdansk, you stated right in our editorial office that it would be a green light for wise actions to make the whole government apparatus, from gmina chief to central administration, aware of the fact that we have now a young and educated working class which can bring about on their own their own right to a better life, to participation in government--legally--based on popular agreement. Have you changed your mind because of the experiences of the past year?

[Answer] I still believe in agreements. I am, and from the beginning I have been a supporter of union majority. This fact cannot be erased if only because of the size of this movement and because of participation of workers therein. But equally because of this aspect, because being of the majority protects the union movement from ossification and bureaucratization. It insures a constructive rivalry.

[Question] In presenting demands?

[Answer] I'm rather thinking of a rivalry of means and methods in representing the interests of working people while at the same time coinciding them with the public interest, for the good of the state and the nation. This is the way I did and do understand it. If you are looking for those who are guilty in that, during that past year, we did not manage to unify the activities in the social policy area in order to satisfy the most urgent human needs, then you have to talk about a lack of a consistent program in the government and in the unions. This is the reason that we give in to pressure not from the most justified but from the most forcefully presented postulates.

[Question] During a press conference a few months back someone had read to us several telegrams containing categorical pay demands from certain professional groups. They evoked bitter laughter. I'm still trying to figure out at whom we were laughing, at those, who in view of the current situation are demanding such exhorbitant privileges or at those who have granted them to someone, sometime, and thus formed a precedent.

[Answer] I'm in complete agreement with you, however, this is laughter through tears, the biggest mistake ever was an assumption that one branch of the government could fulfill the role of labor's guardian. Central administration of pay funds is bound to lead to absurdity. I shall give you an example from my own experiences: the minister of Higher Education, Science and Technology comes to the minister of Labor, Pay and Social Affairs asking for concurrence in approving a small pay raise for the cafeteria workers of the Marie Curie-Sklodowska University.

This belongs clearly to the university administrator! Or, the minister of Communications is asking for concurrence for a pay raise for 280 workers of the Railroad Museum. Is it possible, in view of such pay administration, to guard against nonsense, unceasing recalls and continuous demands?

[Question] And you Sir intend to clean up this Augeian stable?

[Answer] I do understand that the undertaking of cleaning up the pay system is an extremely difficult and conflicting process but I regard it as absolutely necessary. We have to reach firm solutions which will not be continuously deactivated by time or changing circumstances.

[Question] A unifying concept of such firm solutions, temporarily a theoretical one, was presented not too long ago by Prof. Mieczyslaw Kabaj.

[Answer] I sympathize with this concept. The subject of remunerations is not close to my heart, I do not move about easily there. Because of that I would like to exploit the suggestions and knowledge of our remuneration specialists: professors Morecka, Krecik and Borcz as well as some experienced practitioners including those who already went into retirement. I have already obtained concurrence of the Premier of the Council of Ministers to form a mixed remuneration commission with participation of representatives from all directions, trade unions and government branches who are busying themselves with pay system reforms. I'm speaking in plural terms because I foresee a need for a clear division between the pay system in the production sphere and that of public services. In the production sphere that pay system will be dependent upon the effective income of the enterprise while the public service sector is, as a rule, paid out of the national treasury.

[Question] As soon as some complicated problem surfaces which needs a solution immediately some sort of team or commission is formed, however, somehow it does not seem to do any good.

[Answer] I'm not talking about an ad hoc commission. Generally speaking I would like to transform the ministry from an organ of state administration to a state social institution.

[Question] It seems that this already happened Sir, the ministerial post which you have held was called a commission.

[Answer] It's not so much a matter of name, it is a matter of methodology. I'm referring to preparation of all undertakings and legal documents by mixed teams. It would mean asking for collaboration, at the very onset, academicians, practitioners, representatives of trade unions and all factories, in order not to draw out later the process of necessary consultations and also to be able to note all barriers and loopholes in the proposed solutions with the start of first activity.

[Question] Probably the biggest barrier of social undertakings are breakdown of the economy and our enormous debts. Do you believe that under these circumstances we will still be able to solve the most burning pay and social problems?

[Answer] Will we be able? We must be able! After all, there are matters which we are beginning to solve now in a positive meaning. I'm very glad that I took over the ministry at the very moment when the child's right to mother's warmth has been finally guaranteed. It is still not in the way that we might have wanted, however, there's already a choice between working or taking advantage of the child raising subsidy. Lack of such solution has been, in my opinion, the very thing against which I have expressed myself so often: one of the most sensitive loopholes in the system of social securities.

[Question] But does it not create conflict, in the soul of a social worker, that once again we are postponing the liquidation of a no less shameful matter--the old pensions portfolio?

[Answer] Let me clarify this: The 7 September 1981 decision of the government to raise the minimal annuities and pensions, also the draft of the new pension law, are beginning, with the participation of trade unions, a solving process of this painful problem.

As for the conflict of my conscience, I go through it every day. As a beginning minister I sit in this building every day for hours on end and read mail addressed to the ministry from various people who cannot get help in the most difficult moments of their lives, who run into inflexible regulations, lack clear information and encounter heartless officials. The deeper I delve into this reading material the sharper I perceive the very helplessness of the system in solving live's problems of individuals and families.

[Question] I would believe that a realization of this helplessness, already in mid-seventies, would dictate your resignation from the position of Director of Social Politics Team on the Planning Commission, and here you are once again chaining yourself to service in the central administration?

[Answer] I admit that it was a great surprise, even to myself, however, I'm acknowledging that as a teacher of political sociology I've been called to service in the government, and that I don't have a right to decline it, just like in the Army. Of course, my personal ambitions did influence this decision in some way. I've accepted a challenge which, incidently, is also evident from your questions: Professor, you have criticized a lot, you've exponded on the subject a lot, well, now show us what you can do!

[Question] As far as I'm concerned it is an unfounded accusation. I only wanted to determine, with the help of these questions, that the leadership of such a socially sensitive ministry was taken over by a man who throughout his whole life preoccupied himself with people's problems, due to his professional specialization. May I ask still another question, Sir: Why did you refuse ministerial pay when you accepted this ministerial assignment?

[Answer] I know that some attribute this to posing or to being naive to a point of ridicule. I've refused a minister's pay, currently some 23,700 zloty, but I'm still entitled to the pay of an ordinary professor, which with 33 years of longevity amounts to 11,150 zloty, simply because this satisfies certain intellectual needs in me. On one hand it insures independence, on the other hand--courage to speak about relinquishments which are unavoidable in our situation. I don't wish to stop living an ordinary life, by the standards of an academic professor's millieu, and with which I am not breaking contact. I also believe that this is even more necessary in my work than a feeling of promotion and belonging to the central government apparatus.

[Question] When you entered the government you have assumed a burden of tremendous responsibility on your shoulder....

[Answer] I know, in the current situation this is a thankless role. However, I believe that despite internal strife now is the time to stand up in the forefront of people who still possess the will, and the hope of overcoming the crisis and of recognition of Poland's social realities.

--Thank you for the interview.

9511
CSO: 2600/22

PRISTINA COMMUNAL COMMITTEE VIEWS ECONOMIC SITUATION

AU151717 Belgrade Domestic Service in Serbo-Croatian 1400 GMT 15 Oct 81

[Report by Milisav Milic]

[Text] The situation in the Pristina economy continues to be complex. For this reason today's session of the communal committee of the League of Communists was devoted to this problem. Illustrating the complex economic situation, Drago Delibasic, executive secretary of the communal committee, said that the physical volume of industrial production was 11 percent lower than planned in the past 9 months, while personal incomes increased as much as 54 percent. Milisav Milic will tell you more about this:

This great increase in personal incomes was sharply criticized. Of 163 basic organizations, 29 of them operated at a loss and their total losses exceeded 850 million dinars. Compared with the same period last year, losses have trebled and account for some 50 percent of the overall losses incurred by the Kosovo economy. The largest losses were incurred by the Ramiz Sadiku Construction and Industrial Combine and the railroad transport organization. The Belacevac Coal Mine, the nitrogen plant and certain other organizations of associated labor of the Kosovo Elektroprivreda [power industry] also operated at a loss.

It is characteristic that personal incomes in these collectives have increased from 32 to 80 percent, and this shows sufficiently an absence of readiness for realizing the economic stabilization tasks. The allocations for accumulation funds and for promoting the material basis of work have also been greatly reduced, and this has a negative effect on the economy's reproduction capability. The results of the Pristina economy's operations were also reduced by stocks of products and unpaid bills. During the past 2-month period, numerous meetings at the basic organizations, the communal assembly, the Kosovo executive council and at the trade unions and meetings of workers were devoted to tasks stemming from implementing economic stabilization. Nonetheless, as was stressed, all this is insufficient to eliminate the numerous problems and internal weaknesses in the basic organizations of associated labor because a unity of action in implementing the adopted measures is missing.

In the League of Communists there is still no ideopolitical differentiation between those who work and those who do not work, and the necessary responsibility for this situation has also been missing, particularly on the part of those individuals who with their daily behavior have not confirmed themselves in the struggle for economic and political stabilization. At meetings, these people discuss in a general way or keep silent. In the main, they agree with the assessments and positions adopted, but they do not implement them in practice, thus paralyzing the action of the League of Communists and other subjective forces.

Despite the position of the conference of the League of Communists of Pristina to raise the question of political and self-managing responsibility against those cadres which influence the bad situation in the economy, this has not been done thus far by either the basic organizations or the communal committee of the League of Communists. Not a single managing organ has thus far been called to task for its nonself-managing behavior and for illegal activities in economic operations. The hostile and counterrevolutionary developments had a very negative effect on implementing economic stabilization, while in many organizations of associated labor those who organized workers to participate in the demonstrations have still not been unmasked. This has had its effect on disrupting the overall and the intranational relations in these collectives.

Those responsible for the resulting situation are trying to direct activity toward nonessential problems about which long and futile discussions are frequently held, and because of which the production tasks are not implemented.

Following the positions of the 21st LCY Central Committee session, the communal committee of the League of Communists of Pristina seriously drew attention to the need for an overall mobilization of all members and all working people, who in a united action must implement the adopted stabilization tasks.

CSO: 2800/43

SURVEY OF EXPORT-IMPORT STRUCTURE, 1980, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19-21 Sep 81 p 8

[Article by Dusan Dinkic, MA]

[Text] Some limits should exist on imports, since they have a determining role in the dynamics of production growth, but some upper limit to imports must also be sought, keeping in mind the dynamics of export and production growth.

In 1980, Yugoslavia achieved a 2.3 percent rate of growth in the social product of the economy as a whole, which represents a significant slowing of growth when compared to 1979. This has occurred on purpose in order to implement the basic task of the 1980 economic policy, which is to keep the balance of payments deficit from exceeding 2 billion dollars. In that effort, along with promoting exports, imports were to be reduced in real terms as compared to 1979. These efforts had their effects on the industrial production growth rate, but not to the degree that it would have been if such a policy had been pursued earlier, such as in the period of 1966-1974.

The discrepancy between the dynamics of social product, industrial production, and imports in the period 1975-1980 shows that the possibilities for the Yugoslav economy to produce more on the basis of domestic materials and resources are not being realized; a more dynamic growth than that achieved in 1980 and proposed for 1981 is possible. It also shows that the overall rate of economic growth cannot be regarded only in relation to imports, ie., a decrease in the import growth rate need not correspondingly reduce the production growth rate, as was asserted in the Resolution for 1980 and 1981. Rather, the possibilities for maintaining a somewhat greater rate of growth, through a relative increase in the share of domestic materials and resources, must be sought.

The Ten Biggest Exporters

In total Yugoslav exports in the last decade, 10 branches of industry had particularly large shares. They accounted for 55.1 percent of all Yugoslav exports in 1974, for 63.6 percent in 1978, and for 62 percent in 1980 (see Table 1).

Table 1. The Shares of Exports of the Ten Largest Exporting Branches of Yugoslav Industry in Total Yugoslav Exports

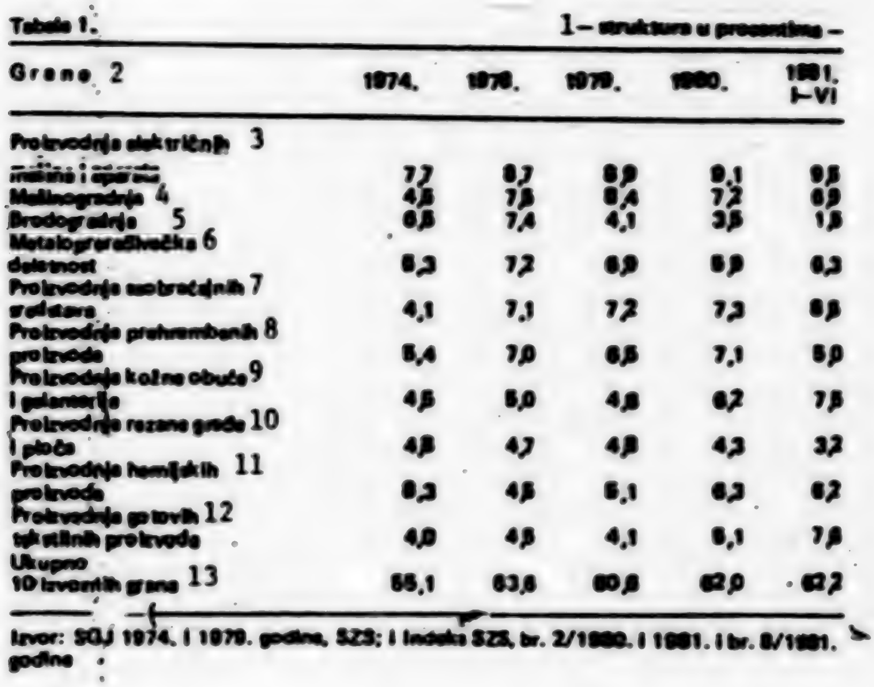

Tabela 1.

1 – struktura u procentima –

Grana 2	1974.	1978.	1979.	1980.	1981. I–VI
Proizvodnja električnih 3 mašina i aparata	7,7	8,7	8,9	9,1	9,5
Mašinogradnja 4	4,5	7,5	8,4	7,2	6,9
Brodogradnja 5	6,5	7,4	4,1	3,5	1,5
Metaloprerađivačka 6 delatnost	6,3	7,2	6,9	6,9	6,3
Proizvodnja saobraćajnih 7 sredstava	4,1	7,1	7,2	7,3	8,5
Proizvodnja prehrambenih 8 proizvoda	5,4	7,0	6,5	7,1	5,0
Proizvodnja kožne obuće 9 i galanterije	4,5	5,0	4,8	6,2	7,5
Proizvodnja rezane građe 10 i ploča	4,8	4,7	4,8	4,3	3,2
Proizvodnja hemijskih 11 proizvoda	6,3	4,5	5,1	6,3	6,2
Proizvodnja gotovih 12 tekstilnih proizvoda	4,0	4,5	4,1	5,1	7,8
Ukupno 10 izvoznih grana 13	55,1	63,6	60,8	62,0	62,2

Izvor: SGJ 1974. i 1979. godine, SZS; i Indeks SZS, br. 2/1980. i 1981. i br. 8/1981. godine

Key:

1. Structure in percentage
2. Branch
3. Production of electrical machines and devices
4. Machine building
5. Ship building
6. Metal processing activities
7. Means of transportation
8. Processed food products
9. Leather shoes and notions
10. Lumber and other wood products
11. Chemical products
12. Ready-made textile products
13. Total for 10 exporting branches

Source: Statistical Yearbook of Yugoslavia, 1974 and 1979, Federal Statistical Office and its Index, No 2/1980 and 1981, and No 8/1981.

Considered together, however, the share of these branches in exports as part of total Yugoslav exports is declining and stagnating, thus contributing to a reduction in the shares of exports of ship building, machine building, lumber and other wood products, and this year, processed food products as well. Other industries in this group are maintaining their shares of exports or increasing them. The greatest growth among these branches is in 2 labor-intensive branches, the production of ready-made textile goods and of leather shoes and notions. Thus these 2 branches show up as the most successful exporters, with the most dynamic growth rates and increases in their shares of total Yugoslav exports.

If to the level of shares in total exports of these branches we add the shares achieved for exports of final products of the finished woodworking industry and the production and processing of tobacco, also labor-intensive branches (which did not fall into the group of top exporters in the past decade), then we obtain the interesting fact that the export shares of these 4 branches in total Yugoslav exports rose from 12.7 percent in 1979 to 16.4 percent in 1980, and to 20.9 percent in the first half of 1981. On the other hand, these 4 branches account for only about 1 percent of total Yugoslav imports.

Besides that, these industries showed above-average growth rates in 1980: the average rate of industrial growth was 4 percent, while the leather shoe and notions branch grew at 8 percent, ready-made textile goods and finished wood products at 6 percent. Thus it is certain that for these branches, there is a high degree of interdependence between high rates of production growth and of exports.

Along with the 6 branches among the top ten that achieved above-average growth rates in 1980, there were 8 other industrial branches outside that group. They were tobacco production and processing, rubber processing, chemical product processing, finished wood products, production and processing of paper, non-metal processing, the production of construction material, and non-ferrous metals processing.

Of 14 industrial branches with above-average export growth in 1980 (Table 3), only 5 branches belonged to the group of the highest importers (on the basis of their shares in total Yugoslav imports). Those branches were the production of electrical machines and devices, means of transportation, processed food products, and chemical products involving processing.(Table 2). Some of them even recorded a nominal decline in imports for 1980 compared with 1979 (the electrical machine and devices branch, and means of transportation). All of these facts show that the above-average growth in exports in 1980 for the 14 branches under consideration had its basis either in domestic raw materials, or in redistribution of product mix at the expense of domestic markets.

Table 2. The Share of Imports of the Ten Greatest Importing Branches of Industry in Total Yugoslav Imports

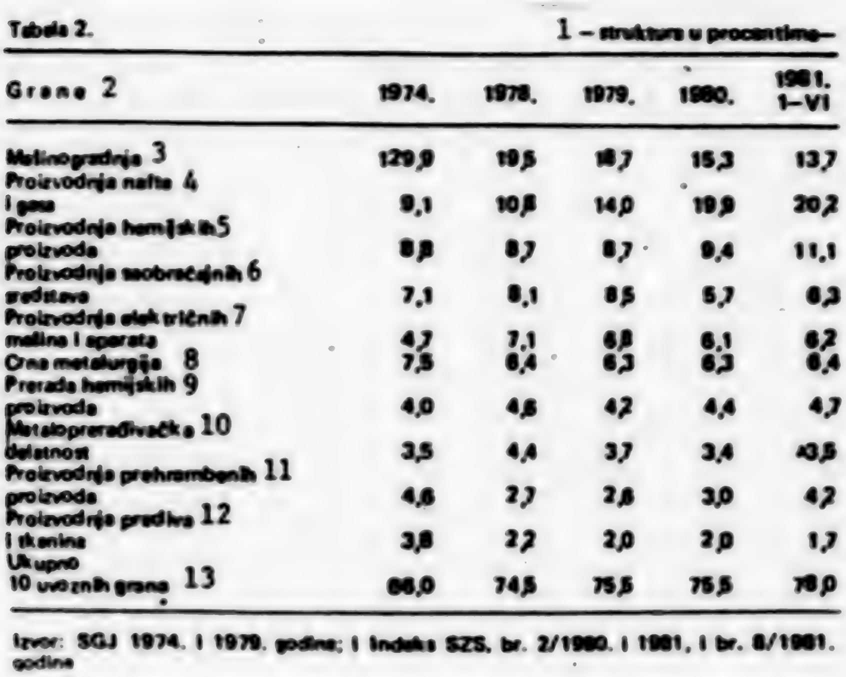

Tabela 2. 1 – struktura u procentima–

Grane 2	1974.	1978.	1979.	1980.	1981. 1–VI
Mašinogradnja 3	129,9	19,5	18,7	15,3	13,7
Proizvodnja nafte 4 i gasa	9,1	10,8	14,0	19,9	20,2
Proizvodnja hemijskih 5 proizvoda	8,8	8,7	8,7	9,4	11,1
Proizvodnja saobraćajnih 6 sredstava	7,1	8,1	8,5	5,7	6,3
Proizvodnja električnih 7 mašina i aparata	4,7	7,1	6,8	6,1	6,2
Crna metalurgija 8	7,5	6,4	6,3	6,3	6,4
Prerada hemijskih 9 proizvoda	4,0	4,6	4,2	4,4	4,7
Metaloprerađivačka 10 delatnost	3,5	4,4	3,7	3,4	3,5
Proizvodnja prehrambenih 11 proizvoda	4,6	2,7	2,8	3,0	4,2
Proizvodnja prediva 12 i tkanina	3,8	2,2	2,0	2,0	1,7
Ukupno 10 uvoznih grana 13	88,0	74,5	75,5	75,5	78,0

Izvor: SGJ 1974. i 1979. godine; i Indeks SZS, br. 2/1980. i 1981, i br. 8/1981. godine

Key:

1. Structure in percentage
2. Branch
3. Machine building
4. Oil and gas production
5. Chemical products
6. Means of transportation
7. Production of electrical machines and devices
8. Ferrous metallurgy
9. Chemical product processing
10. Metal processing activities
11. Processed food products
12. Yarn and fabric production
13. Total for the 10 importing branches

Source: Statistical Yearbook of Yugoslavia, 1974 and 1979, Index of the Federal Statistical Office No 2/1980 and 1981, and No 8/1981.

Comparative analysis of the dynamics of imports, exports and production by branches also shows that in 1980, many of these branches also achieved the most dynamic rates of production growth, and their production growth brought along with it increases in the average for industry as a whole and the entire economy (Table 3).

Table 3. A Comparative Survey of the Dynamics of Growth of Exports, Imports and Production for 1980 and 1981

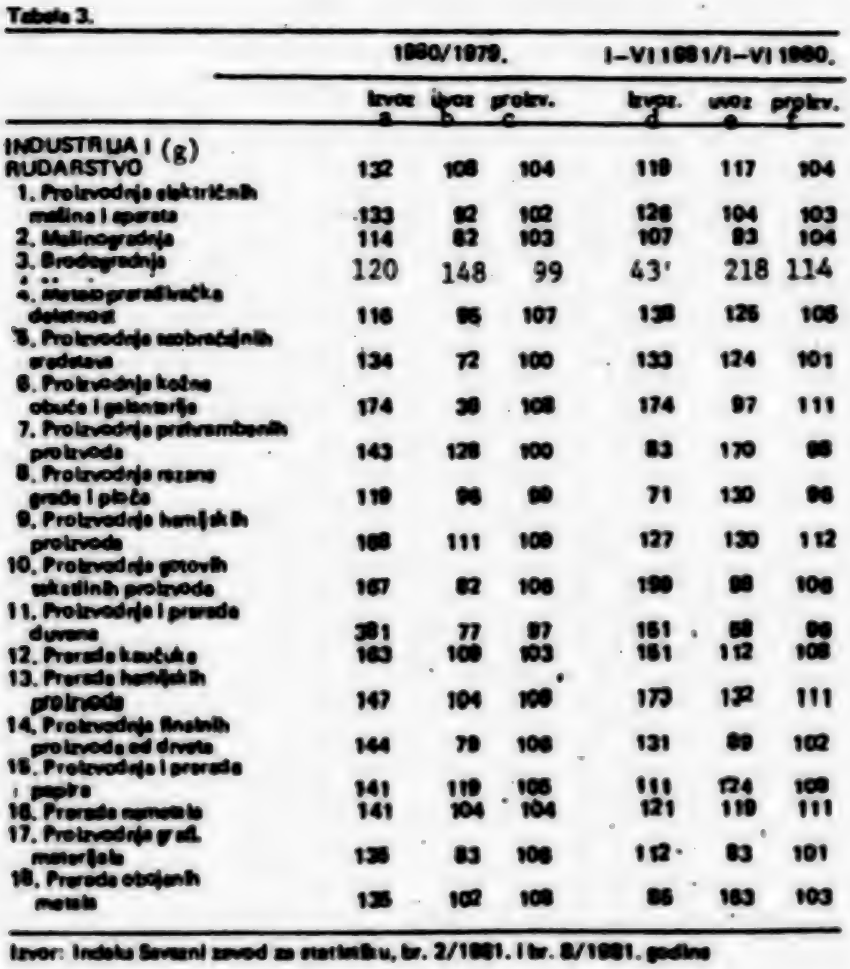

Tabela 3.

	1980/1979.			I–VI 1981/I–VI 1980.		
	Izvoz a	Uvoz b	Proizv. c	Izvoz. d	Uvoz e	Proizv. f
INDUSTRIJA I (g) RUDARSTVO	132	108	104	119	117	104
1. Proizvodnja električnih mašina i aparata	133	92	102	128	104	103
2. Mašinogradnja	114	82	103	107	93	104
3. Brodogradnja	120	148	99	43'	218	114
4. Metaloprerađivačka delatnost	116	95	107	138	126	105
5. Proizvodnja saobraćajnih sredstava	134	72	100	133	124	101
6. Proizvodnja kožne obuće i galanterije	174	30	108	174	97	111
7. Proizvodnja prehrambenih proizvoda	143	128	100	83	170	98
8. Proizvodnja rezane građe i ploča	119	96	99	71	130	96
9. Proizvodnja hemijskih proizvoda	108	111	109	127	130	112
10. Proizvodnja gotovih tekstilnih proizvoda	167	82	106	190	88	106
11. Proizvodnja i prerada duvana	381	77	97	151	58	96
12. Prerada kaučuka	103	109	103	161	112	108
13. Prerada hemijskih proizvoda	147	104	109	173	132	111
14. Proizvodnja finalnih proizvoda od drveta	144	79	106	131	89	102
15. Proizvodnja i prerada papira	141	119	105	111	174	109
16. Prerada nemetala	141	104	104	121	110	111
17. Proizvodnja građ. materijala	135	83	106	112	83	101
18. Prerada obojenih metala	135	102	108	86	163	103

Izvor: Indeks Savezni zavod za statistiku, br. 2/1981. i br. 8/1981. godine

Key:

a. exports
b. imports
c. production
d. exports

e. imports
f. production
g. Industry and Mining

1. Production of electrical machines and devices
2. Machine Building
3. Ship building
4. Metal processing activities
5. Means of transportation
6. Leather shoes and notions
7. Processed food products
8. Lumber and wood products
9. Chemical products
10. Ready-made textile goods
11. Tobacco production and processing
12. Rubber processing
13. Processing of chemical products
14. Finished wood products
15. Paper production and processing
16. Non-metal processing
17. Production of construction materials
18. Processing of non-ferrous metals

Source: Index of the Federal Statistical Office, No 2/1981 and 8/1981.

It is typical that of the group of the 10 highest exporting branches for 1980, only 3 had above-average production growth (the production of leather shoes and notions, ready-made textile goods, and chemical products). Of 8 branches indicated as having above-average increases in exports for 1980 but not belonging to the 10 highest exporters group, 6 also had high rates of production growth.

That means that the impulses for dynamic growth in exports in those branches in 1980 brought rapid production growth with them. Since, however, only one of the 10 top importers (chemical product processing) is among the group with high growth retes in production and exports for 1980, (Table 2) it follows that the causes for increased production in those branches were to be found predominantly in utilization of domestic raw materials (which was true for the branches producing finished wood products, producing and processing paper, processing non-metals, building materials, and processing of non-ferrous metals).

Therefore, changes in the structure of exports and imports, as well as production, when considered by individual economic branches, are showing constant improvement. They are connected to the increase in the number of industries that are exporting their products and reflect more dynamic growth by certain branches that are not presently among the 10 top exporters. This situation requires that in determining basic tasks and goals of development, more attention be paid to these economic branches. This gains in significance from the standpoint of harmonizing relations in foreign trade, as well as from the standpoint of establishing smoother relations between producers and purchasers within the country, which requires a suitable total economic growth rate.

The Beginning of 1980--A Slowing of Growth in Major Categories

At the beginning of 1981 the dynamics of export growth were checked, along with a decline in imports and a lag in production growth to the extent of an actual decline in production. This unfavorable circumstance in development was accompanied by rapid price increases, which made the situation even worse, particularly for foreign trade in goods. Through the course of the 6-month period, however, that situation has improved, so that the index for exports for January-June 1981 was 119 in comparison with the same period of 1980; the import index was 115, and the index for the physical volume of industrial production was 104.

This climb in the indices for exports, imports and industrial production in the first half of the year, considered on a month-to-month basis, shows that a stronger interdependence existed between trends in imports and domestic production than in 1980. This is even more apparent from the latest data on exports and imports, which cover the period from 1 January to 24 August 1981. They show an index of 115 for exports, and of 114 for imports. There must be a limit to which imports can be restricted while taking their determining role in the dynamics of production growth into consideration, but we must also seek the upper limit to imports, always with a view to the dynamics that have been achieved in export and production growth.

The latest data on exports and imports in the year to date show that the import index has approached that of exports, while production growth has shown the same trend as in 1980, when the growth in exports was markedly more dynamic than this year, and there was a significant divergence in the growth of exports and imports in favor of exports. By monitering the relationships between exports, imports and production for individual branches, we have determined certain characteristic, and positive, changes in that structure. First, the domestic component of input into production has been increased, and this relates to a number of branches with export and production growth that are not dependent on imports. In 1980, these positive changes provided real opportunities for increasing total exports, and thereby total production, while intensifying economic activities in certain branches of industry that until recently had been among the leading industrial exporters but were not in that group in 1980. The date for the first half of 1981, however, for industrial branches, and particularly the latest data on exports and imports for the economy as a whole, show unfavorable developments in these relationships when compared to trends in 1980 and in relation to the anticipated economic performance for this year. These trends are even less favorable when the structure for individual economic branches in considered (on the basis of the relationship between production, exports and imports), and from the standpoint of regional and foreign exchange directions of Yugoslav imports and exports.

An Obvious Example of the Ties Between Production, Exports and Imports

This situation requires that the relationships between production, exports and imports be seen not only as a totality, but primarily in their structure and in changes in that structure. In that sense, our analysis of relationships in production dynamics, exports and imports in the first 2 months of this year clearly show the need for improving the dynamics of imports, because imports have reached a limit where they do not assure provision of the needs of production and of exports.

That was evident in a large number of branches, as well as in the framework of the 10 biggest exporters. Precisely the weakening of dynamic production growth in branches that are among the 10 biggest exporters (where 6 branches also are among the 10 biggest importers) has brought the growth rate for industrial production at the beginning of the year to its lowest level.

In these branches, imports were significantly reduced compared to last year (with the exception of processed food products, production of electrical machines and devices, and lumber and wood products). In 1980 as well, these 10 branches of industry, which are also the most dependent on imports, saw slowing growth in production due to reduced imports. The high growth rate for exports and production in 1980 and at the beginning of this year was provided for by the branches producing leather shoes and notions, and ready-made textile goods. In later months of this year, however, when the increased growth in imports was joined by improved growth in exports, improvements also took place in the growth rate for industrial production of the 10 biggest exporters. This has made possible an above-average growth rate for exports in the first half of 1981, as in 1980, in production of electrical machines and devices, means of transportation, and chemical products, even though this performance is not as impressive as in 1980 (see Table 3).

If in 1981 the dynamics of production and exports had not been repeated in some branches that carried the burden of production and exports in 1980, but rather, imports were increased in those branches whose production is based chiefly on imported materials, then it could have happened that with low growth in exports and an unfavorable relationship between export and import growth, relatively the same production dynamics could have been achieved as in the previous year, when those relationships were more favorable.

Besides that, due to the increasing divergence between domestic and world prices and the policy of achieving a nomical growth in personal income, price increases and the cost of living, the possibilities for redistribution within the framework of the level of production attained for foreign markets were less this year than last, so that this too contributed to the lower growth rate for exports.

Due to the balance of payments situation and the emerging covergence in nominal growth of imports and exports of goods, particularly if the former does not assure the desired real growth in exports because of large increases in export prices, it will be necessary to pay close attention to coordinating import trends with export results. Naturally, one must keep possibilities for more dynamic production growth in mind, but our studies have showed that they do exist.

In that sense, solutions must be sought primarily in domestic production in terms of its structure, or in continuing the dynamics of exports growth in the branches that were important for exports in 1980, but that were not included among the 10 biggest exporters. This must be done along with the elimination of impediments to restoring the growth dynamics of exports and production, primarily in the 10 biggest exporting branches that last year, and so far this year, have not achieved the expected export results (including machine building, ship building, processed food production, and production of lumber and wood product).

Use of Domestic Materials in Priduction is Crucial

In the interests of achieving stronger growth in production and exports, and more favorable relationships between the dynamics of exports and imports, there must be stronger stimulation of the economy and use of a greater share of domestic materials in production. There is the impression that a proportion between imports and domestic production has already been established that is unfavorable from the standpoint of realizing the planned levels of exports and imports, meaning a trade and balance of payments deficit for the country this year.

Analysis of the preceding period showed that along with growing imports, more active use of domestic raw material reserves, and more attention to production and exports in branches that are not among the 10 biggest exports, can increase production and exports. But since this year the growth in imports has matched the growth in exports, and once again there is a tendency for export growth to slow (with the index as of 24 August at 115, the same as the export price index), it is fully obvious that we must strive to increase the growth rate for exports so that it will reach an index of at least 123. The import growth rate should be held to an index of 113, with maintenance of the current price index of 116. In that way a real growth in exports of 7 percent, and a real reduction of 3 percent in imports, would be assured, as anticipated in the Resolution for this year. So that restricting the import growth rate will not burden the dynamics of industrial production growth, it is necessary to create conditions that will make it possible to provide for this growth rate using domestic raw materials, and not only or primarily using imported materials.

Analysis of the first half of this year, tied to the relationships between imports, exports and production, their structure changes, also showed that in comparison with last year, some indicators that were characteristic for 1980 lagged this year.

Chiefly, the success in replacing imported raw materials with domestic ones was less than last year. Also declining were the effects of regulating the performance on the consumer side (demand) of the social product, while the impact of domestic prices on the competitiveness of Yugoslav exports was markedly less favorable than last year.

Therefore, in this sector of the economy, the efforts of economic policy must be aimed primarily in the direction of improving these relationships, so as by year's end to create relatively more favorable results in the trade balance with foreign countries.

Special efforts tied to the structure of exports and imports in goods must be directed toward better coordinating trends in exports and imports of goods as regarded by countries, regions and foreign exchange area. In that sense the unfavorable structure of earlier years has worsened for 1980 and 1981. It is a matter of a significant nominal decline in exports to markets of the industrially developed western countries. In the same way, we cannot be satisfied with the dynamics of exports to developing countries. Although the index of exports to advanced western countries for the period 1 January to 24 August 1981 amounted to merely 92 in nominal terms, the index of imports from this area was 114. Therefore, particular attention must be devoted to the problem of the regional structure of marketing Yugoslav goods, as well as to imports, from the standpoint of the stability of domestic development and bringing balance of payments equilibrium.

12131
CSO: 2800/8

DATA GIVEN ON UNUSED AGRICULTURAL LAND

AU081314 Zagreb VJESNIK in Serbo-Croatian 22 Sep 81 p 4

[Article by Ratomir Petkovic: "Agriculture: Weeds Are Reigning Where There Could be Wheat Instead"]

[Summary] According to the latest available information, the acreage of abandoned arable land is constantly growing in Yugoslavia. About 650,000 hectares of arable land now lie abandoned where nothing but grass and weeds grow, land which, according to some calculations, could produce 1.8 million tons of wheat annually. It must be recalled in this connection that this year alone Yugoslavia will import about 1 million tons of wheat.

About 85 percent of all arable land in Yugoslavia is owned by the individual agricultural landowners. However, their individual landholdings are small, amounting to an average of 3.8 hectares of agricultural or 3.2 hectares of arable land each. In addition, these landholdings are fragmented into small parts. It is calculated that the country's individual agricultural landholdings are fragmented into a total of 44.5 million parts. At the same time, about 500,000 hectares or 8.4 percent of privately owned arable land lie abandoned. This is explained to some extent by the results of recent research according to which 60 percent of all individual agricultural households owning arable land are mixed agricultural-industrial households, 10 percent of which are households with elderly people and only 30 percent pure agricultural production households. The latter own about 40 percent of all arable land.

Some proposals have been made recently to use the tax policy to penalize individual landowners for holding abandoned arable land. According to these proposals, heavy taxes on abandoned arable land should be imposed on the owners of that land if they refuse to lease it or sell it for agricultural purposes. The funds from the taxes on abandoned arable land would be used to stimulate the production on true agricultural landholdings. Interesting as these proposals may be, it is certain that the landowners concerned would strongly oppose them by claiming that they violate their rights. What is necessary in this connection is to create a social climate in which the ownership of abandoned arable land will be considered a shameful act in our country which imports food although it has the potential not only to feed its own population but also to export food to world market.

CSO: 2800/43

BRIEFS

CURRENT ECONOMIC SITUATION--Pristina, 15 Oct (TANJUG)--Following the standpoints of the 21st session of the LCY Central Committee, at its meeting today the Pristina League of Communists Municipal Committee warned of the need for a general mobilization of the entire party membership and of all working people in the municipality in order to change the situation in the economy and to consistently implement the economic stabilization policy. Such a demand is really necessary in a view of the fact that the situation in the Pristina economy is very unfavorable and the fact that there is no prospect of significantly changing the situation before the end of the year unless a radical change is made in production and the attitude to work. In the last 9 months, the physical volume of industrial production has been as much as 11 per cent lower than the planned level. Losses amount to 850 million dinars and are 3 1/2 times higher than in the same period last year. Resources spent on joint needs are 3 percent higher than the income realized. At the municipal committee session, near alarming statements were made about the weak reproduction capability and lack of liquidity in the general economy as well as about the chaotic state of some collectives such as the Ramiz Sadiku Building and Industry Combine, the railway transport organizations, the Belacevac and Azotara coal mines and some other organizations which form the core of Pristina's industry. [Excerpts] [LD152312 Belgrade TANJUG Domestic Service in Serbo-Croatian 1527 GMT 15 Oct 81]

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